

CITY OF BOGALUSA, LOUISIANA

Primary Government Basic Financial Statements, Independent Auditor's Reports, and Supplemental Information

Year Ended December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/29/10

ROBERT A. NEILSON

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable J. M. "Mack" McGehee, Mayor
and the Members of the City Council
City of Bogalusa, Louisiana

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bogalusa, Louisiana (the City), as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely component units is not reasonably determinable.

In my opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Bogalusa, Louisiana, as of December 31, 2009, or the changes in financial position thereof for the year then ended.

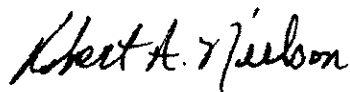
In addition, in my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Bogalusa, Louisiana, as of December 31, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Bogalusa, Louisiana, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 19, 2010, on my consideration of the City of Bogalusa, Louisiana's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3-10), budgetary comparison information (pages 51-53), and schedule of funding progress (page 49) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bogalusa, Louisiana's financial statements as a whole. The combining and individual nonmajor fund financial statements and accompanying other supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the other supplemental information, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



July 19, 2010
Bogalusa, Louisiana

**CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

The Management Discussion and Analysis (MD&A) offers the readers of the City of Bogalusa's financial statements a narrative overview of the financial activities of the City of Bogalusa for the fiscal year ended December 31, 2009. The City's financial performance is discussed and analyzed in correlation with the accompanying statements and disclosures following this section.

The reader is urged to continue on past the MD&A and review other important sections of this financial report, including footnotes and other Required Supplemental Information (RSI).

FINANCIAL HIGHLIGHTS

- The assets of the City of Bogalusa exceeded its liabilities at the close of 2009 by \$29.37 million (total net assets). Unrestricted net assets are in a deficit position of \$9.09 million. This is the result of the City's unrestricted non-capital related liabilities exceeding unrestricted assets. A major contributing factor to this unfavorable financial position is the City's obligation on its pension plan.
- During the year, expenses for governmental activities amounted to \$13.8 million. These expenses were paid from the proceeds of approximately \$8.5 million generated from taxes, \$1.46 million generated from other revenues for governmental programs, \$3.3 million generated from grants and contributions, and \$1.2 million generated from transfers from business-type activities.
- In the City's business-type activities, expenses amounted to approximately \$3 million. These expenses were paid from the proceeds of \$3.2 million in service charges and \$1.1 million in taxes and other program revenues.
- At the close of the fiscal year, the City of Bogalusa's governmental funds reported combined ending fund balances of \$2.8 million, a decrease of approximately \$347,000. This combined amount is largely attributable to amounts accumulated in the Industrial Complex Sales Tax Fund. Business-type funds reported \$13.3 million in total net assets for the close of the fiscal year, an increase of approximately \$145,000 to prior year total net assets, largely due to an increase in revenue resulting from the increase in sewerage rates.
- The general fund reported a deficit fund balance of \$1,317,755 as of the end of the fiscal year. This unfavorable financial position in the City's primary operating fund signifies financial stress upon the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

Government-wide Statements

The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

The *statement of net assets* presents information on all of the City's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. The difference between the assets and liabilities is reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or weakening.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event that gives rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as balances of available resources that can be used to meet the City's ongoing obligations at the close of the year. Such information may be useful in evaluating the City's near-term financing requirements.

The City uses fourteen *governmental funds*. There are four major funds, which have separately presented information in the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, the Industrial Complex Sales Tax Fund, the Landfill Fund and the Airport Expansion Fund. The ten non-major funds are presented in the aggregate in the governmental fund financial statements. The individual fund financial information is presented in the combining statements found in Supplemental Information.

The City has one *proprietary fund*. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Utilities System operations which provides water, sewer and garbage services on a fee for service basis.

Fiduciary fund statements provide financial information on funds for which the City acts as a trustee or agent for the benefit of others, such as the City employee retirement system.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information (Budgetary Comparison Schedules, the Schedule of Funding Progress and the Schedule of Employee Contributions for the City of Bogalusa Employees' Pension Plan), as well as supplemental information presented in the form of combining statements of individual fund financial information.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City reported combined net assets at the end of fiscal year 2009 in the amount of \$29,367,670, an increase of \$751,541 from fiscal year 2008. The schedule of net assets below indicates net assets for governmental activities, business-type activities and combines them into total primary government.

	<u>Governmental Activities</u>		<u>(in Millions) Business-type Activities</u>		<u>Total Primary Government</u>	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 7.64	\$ 8.05	\$ 1.52	\$ 1.40	\$ 9.16	\$ 9.45
Capital Assets	<u>24.24</u>	<u>22.53</u>	<u>17.53</u>	<u>17.85</u>	<u>41.77</u>	<u>40.38</u>
Total Assets	31.88	30.58	19.05	19.25	50.93	49.83
Long-term debt outstanding	11.52	11.03	5.45	5.54	16.97	16.57
Other liabilities	<u>4.33</u>	<u>4.13</u>	<u>.26</u>	<u>.52</u>	<u>4.60</u>	<u>4.65</u>
Total Liabilities	15.85	15.16	5.71	6.06	21.56	21.22
Net Assets						
Investment in capital assets						
Net of related debt	19.02	17.14	13.29	13.45	32.31	30.59
Restricted	5.13	5.31	1.02	1.04	6.15	6.35
Unrestricted	<u>(8.12)</u>	<u>(7.03)</u>	<u>(.97)</u>	<u>(1.30)</u>	<u>(9.09)</u>	<u>(8.33)</u>
Total net assets	<u>\$ 16.03</u>	<u>\$ 15.42</u>	<u>\$ 13.34</u>	<u>\$ 13.19</u>	<u>\$ 29.37</u>	<u>\$ 28.61</u>

The largest portion of the City of Bogalusa's net assets (110%) reflects investment in capital assets (e.g. land, buildings, improvements, streets, bridges, equipment, vehicles, utility systems, and furniture and fixtures), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Bogalusa's net assets (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets (-31%) represents a deficit due to debt obligations on pension systems and other liabilities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Changes in net assets

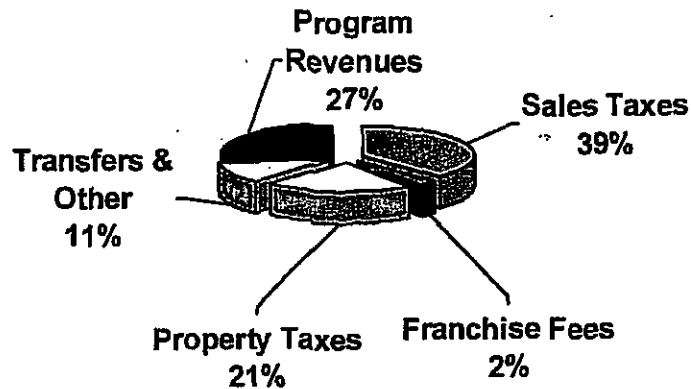
The City's total revenue and expenses for governmental and business-type activities are reflected in the following chart:

	Changes in Net Assets (in Millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program Revenues:						
Charges for Services	\$.72	\$.83	\$ 3.24	\$ 2.88	\$ 3.96	\$ 3.71
Oper. Grants & Contrib.	1.10	1.29	.00	.00	1.10	1.29
Capital Grants & Contrib.	2.15	1.31	.07	.15	2.22	1.46
General Revenues:						
Property Taxes	3.05	3.04	.18	.18	3.23	3.22
Sales Taxes	5.42	5.97	.74	.82	6.16	6.79
Franchise Fees	.34	.44	-	-	.34	.44
Unrestricted Interest	.01	.07	-	.02	.01	.09
Miscellaneous	.43	.16	.13	.07	.56	.23
Transfers	1.20	.99	(1.20)	(.99)	-	-
Total Revenues	14.42	14.10	3.16	3.13	17.58	17.23
Expenses:						
General Government	4.88	4.86	-	-	4.88	4.86
Public Safety	4.71	5.04	-	-	4.71	5.04
Public Works	1.89	2.58	-	-	1.89	2.58
Landfill	.66	.38	-	-	.66	.38
Culture & Recreation	.22	.21	-	-	.22	.20
Economic Development	.82	.71	-	-	.82	.71
Airport	.40	.09	-	-	.40	.09
Interest on Long Term Debt	.24	.19	-	-	.24	.19
Water, Sewer, & Garbage	-	-	3.01	2.94	3.01	2.94
Total Expenses	\$ 13.82	\$ 14.06	\$ 3.01	\$ 2.94	\$ 16.83	\$ 17.00
Change in Net Assets	0.6	.04	.15	.19	.75	.23
Net Assets Beginning	15.42	15.38	13.19	13.00	28.61	28.38
Net Assets Ending	\$ 16.02	\$ 15.42	\$ 13.34	\$ 13.19	\$ 29.36	\$ 28.61

The City's net assets of governmental activities increased by \$606,779. Revenues increased in the governmental activities by approximately \$320,000 due to property tax increases and an increase in transfers from the business type activities. It is noted, however, the anticipated increases for 2009 did not materialize due to a drop in sales tax revenues. Expenses decreased in the governmental activities due to a reduction in overtime costs and due to the elimination of the bone-time supplemental paycheck that has traditionally occurred in the fall of every year. An increase in net assets of \$144,762 occurred in business-type activities, primarily due to the increase in the sewerage rates in 2009.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

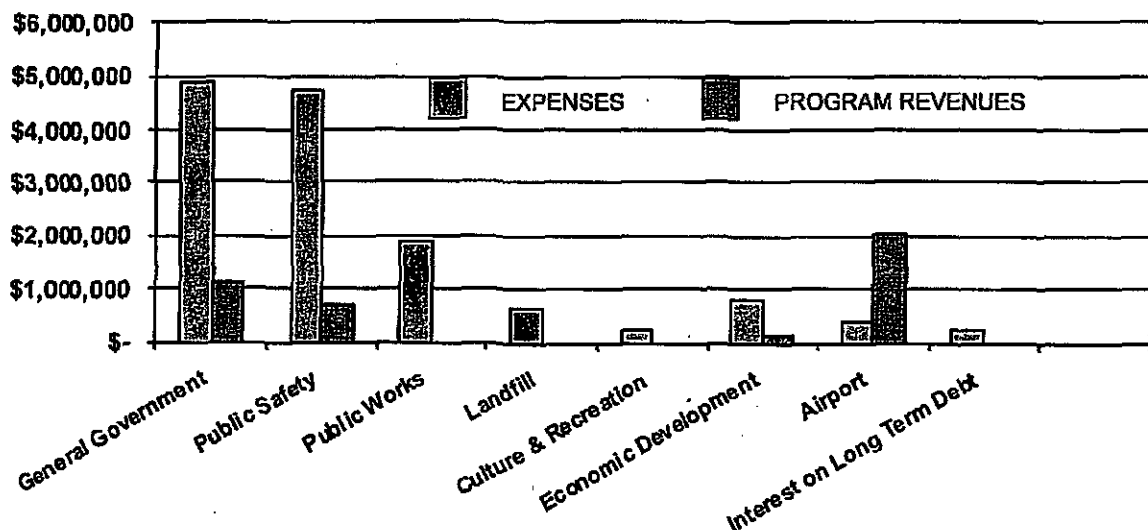
Revenues by Source - Governmental Activities



Revenues for the City's governmental activities for the year ended December 31, 2009 were \$14,424,970. General revenues, specifically sales taxes and property taxes, are the largest components of revenues (60%). Sales taxes represent approximately 38% of revenues at \$5,418,989. Sales taxes experienced a 9.2% decrease compared with 2008 after several years of growth. This decrease is primarily due to the downturn in the economy.

The cost of all governmental activities in 2009 was \$13,818,191. These costs were covered by the sources of revenue as outlined above.

Expenses and Program Revenues - Governmental Activities

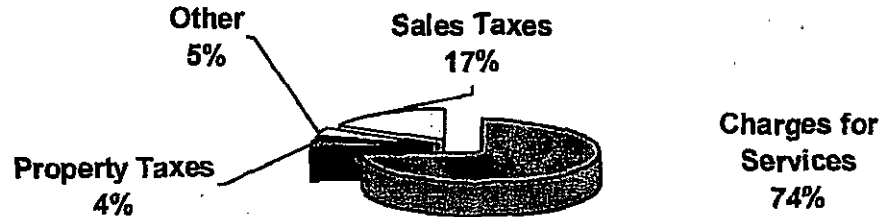


The graph above shows the City's seven primary governmental activities in 2009, as well as long-term debt interest, compared to program revenues covering expenses. General revenues of course cover the remaining costs.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

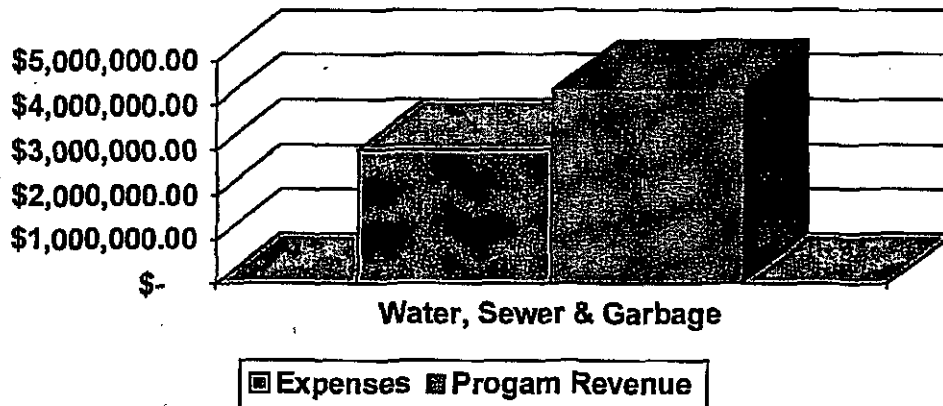
The following graph indicates business-type activities revenues by source:

Revenues by Source - Business-type Activities



Revenues for the City's business-type activities for the year ended December 31, 2009 were \$4,355,058. User fees are by far the largest source of revenue (74%) for the City's utility system. Sales tax revenue (17%) is largely dedicated to the payment of long-term debt incurred on the sewer system upgrade in prior years. The City's utility system business-type activities are related to water, sewer, and garbage activities.

Expenses and Revenues - Business-type Activities



The above graph reveals that the utility system fully supports itself. Of the revenues generated from the utility system, the City was able to transfer \$1,200,355 from the business-type activities to subsidize the governmental activities.

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

For the fiscal year ended December 31, 2009, the City reported combined fund balances in governmental funds of approximately \$2.8 million, a decrease of \$.35 million from 2008. The General Fund reported a deficit fund balance of \$1,317,755, compared to a deficit fund balance of \$1,359,860 for 2008. The largest fund balance (\$2.1 million) is reported in the Industrial Complex Sales Tax Fund. This fund saw a \$.11 million decrease from 2008 largely due to construction activities within the industrial park. Other governmental funds report aggregate fund balances of approximately \$1.9 million, a decrease of \$.39 million over 2008, thereby indicating a slight attrition of these funds as they are expended for their intended restricted uses.

The Proprietary Fund (the Utility System) reported an increase in net assets, resulting from revenues in excess of expenses and transfers of \$144,762. This bottom line operating profit for the System included \$726,418 of depreciation expense. The Proprietary fund reported a \$334,337 net loss in 2008 which included depreciation expense of \$710,250.

General Fund Budgetary Highlights

During the fiscal year, the 2009 budget was revised to reflect an anticipated increase in revenues and a corresponding decrease in expenses. Actual results for 2009 showed revenues falling short of the final budget by \$1,447,627, primarily due to a drop in sales taxes and less state and federal government assistance than anticipated. Actual expenditures came in very close to the budgeted amount, being under budget by \$199,994.

The General Fund ended the year with \$42,105 surplus in operations. However, the beginning fund balance was in a deficit position of \$1,359,860. The level of gains needed through expenditure cuts and revenue increases in order to erase the deficit financial position did not materialize. Therefore the City's general fund remains with a deficit fund balance, albeit slightly improved, in the amount of \$1,317,755 as of December 31, 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the City had invested \$41.8 million in a broad range of capital assets, including police and fire equipment, buildings, and park facilities. The following table represents capital assets as reported for 2009 less accumulated depreciation:

	Governmental Activities		(in Millions) Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<u>COST</u>						
Land	\$ 1,668,993	\$ 1,668,993	\$ -	\$ -	\$ 1,668,993	\$ 1,668,993
Buildings	17,230,658	17,253,695	8,979,168	9,047,766	26,209,826	26,301,471
Equipment	3,810,242	3,390,133	476,759	470,689	4,520,209	3,860,822
Infrastructure	19,594,253	17,322,455	12,654,788	12,467,894	32,249,041	29,790,349
Improvements	-	-	13,310,007	13,310,007	13,310,007	13,310,007
Const. In Prog.	-	-	233,208	-	233,208	-
	<u>\$ 42,304,146</u>	<u>\$ 39,635,276</u>	<u>\$ 35,653,930</u>	<u>\$ 35,296,366</u>	<u>\$ 77,958,076</u>	<u>\$ 74,931,642</u>

CITY OF BOGALUSA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

ACCUMULATED DEPRECIATION

Land	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings	7,420,644	6,989,242	7,176,849	7,085,057	14,597,492	14,074,299
Equipment	2,315,238	2,304,315	342,343	305,103	2,657,581	2,609,418
Infrastructure	8,328,528	7,811,015	8,442,380	8,219,663	16,770,908	16,030,678
Improvements	-	-	2,162,911	1,830,126	2,162,911	1,830,126
	<u>\$ 18,064,410</u>	<u>\$ 17,104,572</u>	<u>\$ 18,124,483</u>	<u>\$ 17,439,949</u>	<u>\$ 36,188,892</u>	<u>\$ 34,544,521</u>
Total Assets	<u>\$ 24,239,736</u>	<u>\$ 22,530,704</u>	<u>\$ 17,529,447</u>	<u>\$ 17,856,417</u>	<u>\$ 41,769,184</u>	<u>\$ 40,387,121</u>

In *governmental activities* the City reported a \$1.7 million increase in net capital assets over 2008. The increase is largely due to the construction of airport infrastructure, various renovations throughout the city and new vehicles purchased for the police and fire stations. *Business-type activities* experienced a \$326,970 decrease in net capital assets compared to 2008, primarily as a result of depreciation expense.

Long-term Debt

At the end of the year 2009, the City had \$11,518,738 in bonds payable, pension obligations and compensated absences payable, all of which are backed by the full faith and credit of the City of Bogalusa and reported in the Governmental Activities in the statement of Net Assets. New debt agreements entered into during 2009 consisted primarily of lease-purchase agreements for fire and police vehicles.

The City had \$5,448,058 in revenue bonds, certificates of indebtedness, pension obligations and compensated absences payable, in its utility system proprietary fund and business-type activities, all of which are backed by the full faith and credit of the City of Bogalusa.

The net pension obligation increased by \$856,979 (\$804,863 in governmental activities and \$52,116 in business-type activities) bringing the total pension obligation to \$5,728,700.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

National, state and local communities are still in recession. The outlook for 2010 does not predict significant improvements from the current economic situation.

The budget for 2010 was prepared using conservative estimates regarding revenues and practicing expenditures controls. As of the date this financial report was released, the city had approved a plan to reduce its workforce thereby reducing its expenditures over the long term. The 2010 year may experience an increase in expenditures beyond that which was budgeted as result of this plan. Budget amendments for 2010 will be made as necessary as expenditures approach the point where they will exceed the annual budget. Revenues will likewise be monitored for shortfalls to the budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, grantors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions concerning this report or need additional financial information, contact the City of Bogalusa's Administrative offices located in City Hall at 202 Arkansas Avenue, Bogalusa, LA 70427.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 4,664,836	\$ 153,863	\$ 4,818,699
Property taxes receivable	731,722	39,892	771,614
Accounts receivable (net)	1,073,866	303,815	1,377,681
FEMA receivable	298,071	-	298,071
Inventory	4,761	-	4,761
Restricted assets:			
Cash and cash equivalents	-	1,020,479	1,020,479
Investment in Joint Venture - Choctaw Landfill	869,439	-	869,439
Capital assets:			
Land and construction in progress	1,668,993	-	1,668,993
Depreciable capital assets, net of depreciation	22,570,743	17,529,447	40,100,190
TOTAL ASSETS	31,882,431	19,047,496	50,929,927
<u>LIABILITIES:</u>			
Bank overdrafts	201,927	-	201,927
Accounts payable	1,912,506	135,017	2,047,523
Accrued expenses	155,722	46,584	202,306
Other payables	1,071,686	-	1,071,686
Certificates of indebtedness	1,000,000	-	1,000,000
Internal balances	(79,736)	79,736	-
Deferred revenues	72,019	-	72,019
Long-term liabilities:			
Due within one year	848,042	345,000	1,193,042
Due beyond one year	10,670,696	5,103,058	15,773,754
TOTAL LIABILITIES	15,852,862	5,709,395	21,562,257
<u>NET ASSETS:</u>			
Invested in Capital Assets, net of related debt	19,017,665	13,286,201	32,303,866
Restricted for:			
Debt service	1,435,862	1,020,479	2,456,341
Other	3,696,954	-	3,696,954
Unrestricted	(8,120,912)	(968,579)	(9,089,491)
TOTAL NET ASSETS	\$ 16,029,569	\$ 13,338,101	\$ 29,367,670

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Primary Government						
Function/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Fines, and Charges for Services	Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government						
Governmental:						
General government	\$ 4,884,650	\$ 476,187	\$ 654,490	\$ (3,753,973)	\$ -	\$ (3,753,973)
Public safety	4,709,346	122,147	567,220	(4,019,979)	-	(4,019,979)
Public works	1,888,279	-	-	(1,888,279)	-	(1,888,279)
Landfill	661,952	-	-	(661,952)	-	(661,952)
Culture and recreation	220,699	-	-	(220,699)	-	(220,699)
Economic development	817,579	119,357	-	(698,222)	-	(698,222)
Airport	400,437	-	2,031,286	1,630,829	-	1,630,829
Interest expense	235,229	-	-	(235,229)	-	(235,229)
Total governmental activities	13,818,191	717,691	3,252,996	(9,847,504)	-	(9,847,504)
Business-type:						
Enterprise - Utilities	3,009,941	3,240,293	69,962	-	300,314	300,314
Total business-type activities	3,009,941	3,240,293	69,962	-	300,314	300,314
Total primary government	\$ 16,828,132	\$ 3,957,984	\$ 3,322,958	(9,847,504)	300,314	(9,547,190)
General Revenues:						
Property taxes				3,051,539	176,609	3,228,148
Sales taxes				5,418,989	739,590	6,158,579
Other taxes				43,615	-	43,615
Franchise fees				342,271	-	342,271
Interest Income				6,934	2,896	9,830
Other				390,580	125,708	516,288
Transfers (net)				1,200,355	(1,200,355)	-
Total general revenues				10,454,283	(155,552)	10,298,731
Change in net assets				606,779	144,762	751,541
Net assets, December 31, 2008 (restated)				15,422,790	13,193,339	28,616,129
Net assets, December 31, 2009				\$ 16,029,569	\$ 13,338,101	\$ 29,367,670

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

		Special Revenue Funds			Capital Projects Fund
		Industrial			
		Complex Sales			
	General	Tax	Landfill Fund	Airport	Expansion Fund
<u>ASSETS</u>					
Cash and cash equivalents	\$ 874,238	\$ 2,143,763	\$ 497,273	\$ -	
Investments	-	-	476,448	-	
Property taxes receivable	473,138	-	77,422	-	
Accounts receivable	525,610	42,760	-	292,608	
FEMA receivable	298,072	-	-	-	
Due from other funds	735,429	164,122	-	-	
Inventory of supplies	4,761	-	-	-	
TOTAL ASSETS	2,911,248	2,350,645	1,051,143	292,608	
<u>LIABILITIES</u>					
Bank overdrafts	-	-	-	201,927	
Accounts payable	1,767,483	96,412	-	90,113	
Accrued expenses	80,283	-	-	-	
Certificates of indebtedness	1,000,000	-	-	-	
Deferred revenue	195,266	-	20,258	-	
Due to other funds	1,185,971	105,415	-	-	
Due to other governments	-	-	992,969	-	
TOTAL LIABILITIES	4,229,003	201,827	1,013,227	292,040	
<u>FUND BALANCES</u>					
Reserved:					
Debt service	-	-	-	-	
Inventory	4,761	-	-	-	
Unreserved	(1,322,516)	2,148,818	37,916	568	
TOTAL FUND BALANCES (DEFICIT)	(1,317,755)	2,148,818	37,916	568	
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,911,248	\$ 2,350,645	\$ 1,051,143	\$ 292,608	

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,149,562	\$ 4,664,836
-	476,448
181,162	731,722
212,888	1,073,866
-	298,072
1,174,991	2,074,542
-	4,761
<u>2,718,603</u>	<u>9,324,247</u>

-	201,927
44,129	1,998,137
-	80,283
-	1,000,000
47,405	262,929
703,420	1,994,806
-	992,969
<u>794,954</u>	<u>6,531,051</u>

1,473,193	1,473,193
-	4,761
450,456	1,315,242
<u>1,923,649</u>	<u>2,793,196</u>

<u>\$ 2,718,603</u>	<u>\$ 9,324,247</u>
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CITY OF BOGALUSA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Fund balances - governmental funds		\$ 2,793,196
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Cost of capital assets at December 31, 2009	\$ 42,304,146	
Less: accumulated depreciation as of December 31, 2009	<u>(18,064,410)</u>	24,239,736
Property tax revenues were collected more than sixty days after year-end and, therefore, are not available soon enough to pay for current period expenditures:		190,910
Equity interest in landfill joint venture not reported at fund level		392,991
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund liabilities:		
Bonds payable		(4,725,000)
Accrued interest payable		(68,530)
Notes payable		(701,306)
Net pension obligation payable		(4,624,780)
Compensated absences		(837,592)
Claims and judgements payable		<u>(630,056)</u>
Total net assets at December 31, 2009 - governmental activities		<u>\$ 16,029,569</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

		Special Revenue Funds		Capital Projects Fund
		Industrial		
		Complex Sales		
	General	Tax	Landfill Fund	Airport Expansion Fund
Revenues:				
Ad valorem Taxes	\$ 1,980,404	\$ -	\$ 324,872	\$ -
Sales Taxes	2,681,529	462,474	-	-
Other Taxes	43,615	-	-	-
Licenses and permits	443,083	-	-	-
Franchise Fees	342,271	-	-	-
Intergovernmental	690,299	-	-	2,031,286
FEMA Reimbursement	498,893	-	-	-
Charges for services	51,622	-	-	-
Fines	99,629	-	-	-
Interest	929	4,004	452	-
Rent	-	-	-	-
Miscellaneous	129,889	-	-	-
Total revenues	6,962,163	466,478	325,324	2,031,286
Expenditures:				
Current -				
General government	3,172,980	-	-	-
Public safety	3,942,851	-	-	-
Public works	1,480,178	-	-	-
Landfill	-	-	419,406	-
Culture and Recreation	19,220	-	-	-
Economic Development	-	311,707	-	-
Airport	52,079	-	-	-
Hurricane relief and restoration	7,564	-	-	-
Capital outlay	596,036	181,208	-	2,060,725
Intergovernmental	129,140	-	-	-
Debt Service -				
Capital lease payments	54,013	-	-	-
Principal	190,934	-	-	-
Interest	27,661	-	-	-
Total expenditures	9,672,656	492,915	419,406	2,060,725
Excess (deficiency) of revenues over expenditures	(2,710,493)	(26,437)	(94,082)	(29,439)
Other financing sources (uses):				
Proceeds from issuance of long-term debt (net of costs)	447,815	-	-	-
Transfers to other funds	(188,895)	(83,934)	-	-
Transfers from other funds	2,493,678	-	-	14,423
Total other financing sources (uses)	2,752,598	(83,934)	-	14,423
Excess (deficiency) of revenues and other sources over expenditures and other uses	42,105	(110,371)	(94,082)	(15,016)
Fund balance, beginning	(1,359,860)	2,259,189	131,998	15,584
Fund balance, ending	\$ (1,317,755)	\$ 2,148,818	\$ 37,916	\$ 568

The accompanying notes are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 760,787	\$ 3,066,063
2,274,987	5,418,990
-	43,615
-	443,083
-	342,271
32,518	2,754,103
-	498,893
-	51,622
-	99,629
1,559	6,944
116,357	116,357
267,687	397,576
<u>3,453,895</u>	<u>13,239,146</u>

-	3,172,980
679,677	4,622,528
551,274	2,031,452
-	419,406
151,729	170,949
114,013	425,720
-	52,079
-	7,564
302,269	3,140,238
-	129,140
-	54,013
566,836	757,770
222,862	250,523
<u>2,588,660</u>	<u>15,234,362</u>

865,235 (1,995,216)

-	447,815
(1,130,887)	(1,403,716)
95,970	2,604,071
<u>(1,034,917)</u>	<u>1,648,170</u>

(169,682) (347,046)

<u>2,093,331</u>	<u>3,140,242</u>
<u>\$ 1,923,649</u>	<u>\$ 2,793,196</u>

CITY OF BOGALUSA, LOUISIANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net change in fund balances - governmental funds \$ (347,046)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay and other capitalized purchases	\$ 3,029,066	
Depreciation expense	(1,247,468)	
Loss on disposal of assets	<u>(72,566)</u>	1,709,032

Change in deferral of revenues due to collection beyond 60 days (14,524)

Increase in the investment in joint venture recorded at fund level (242,546)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Long-term debt issued	(447,815)	
Principal payments	<u>805,551</u>	357,736

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Workers Compensation claims payable	(35,976)	
Net pension obligation	(804,864)	
Contingent liability claims estimate	(70,000)	
Accrued interest payable	(12,368)	
Compensated absences payable	<u>67,335</u>	<u>(855,873)</u>

Change in net assets of governmental activities \$ 606,779

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF NET ASSETS
ENTERPRISE (UTILITIES) FUND
DECEMBER 31, 2009

ASSETS

Current assets

Cash and cash equivalents	\$ 153,863
Property taxes receivable	39,892
Accounts receivable (net)	303,815
Due from other funds	110,000
Total current assets	607,570

Restricted assets

Cash	1,020,479
Total restricted assets	1,020,479

Capital assets

Capital assets, cost	35,653,930
Less: accumulated depreciation	(18,124,483)
Total capital assets	17,529,447

TOTAL ASSETS	19,157,496
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LIABILITIES

Current liabilities:

Accounts payable	135,017
Accrued interest expense	38,025
Accrued salaries	8,559
Due to other funds	189,736
Long-term debt, current	345,000
Total current liabilities	716,337

Long-term liabilities:

Compensated absences	100,891
Net pension obligation	1,103,922
Long-term debt	3,898,245
Total long-term liabilities	5,103,058

TOTAL LIABILITIES	5,819,395
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NET ASSETS

Invested in capital assets, net of related debt	13,286,201
Restricted	1,020,479
Unrestricted	(968,579)
TOTAL NET ASSETS	\$ 13,338,101

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATING REVENUES:

Charges for service -	
Water, sewer and garbage fees	\$ 3,240,293
Miscellaneous service revenues	125,708
Total operating revenues	<u>3,366,001</u>

OPERATING EXPENSES:

Salaries and wages	592,731
Employee benefits	115,766
Utilities	403,328
Contractual services	556,308
Supplies and materials	242,620
Repairs	37,413
Gas and oil	24,235
Pension contributions	102,714
Bad debt expense	23,547
Depreciation	726,418
Other	3,032
Total operating expenses	<u>2,828,112</u>

INCOME FROM OPERATIONS	<u>537,889</u>
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NON-OPERATING REVENUES (EXPENSES):

Advalorem taxes	176,609
Sales taxes	739,590
Intergovernmental	69,962
Interest income	2,896
Interest expense	(133,892)
Loss on disposal of assets	(26,724)
Bond agent fees	(21,213)
Total nonoperating revenues (expenses)	<u>807,228</u>

Net Income before transfers	1,345,117
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Transfers to other funds	(1,465,003)
Transfers from other funds	<u>264,648</u>

CHANGE IN NET ASSETS	144,762
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NET ASSETS:

Balance, beginning of year (restated)	<u>13,193,339</u>
Balance, end of year	<u>\$13,338,101</u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

Page 1 of 2

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 3,304,218
Cash paid to suppliers	(1,593,932)
Cash paid to employees	(713,788)
Net cash provided by operating activities	<u>996,498</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Advalorem taxes	176,609
Sales taxes	739,590
Other receipts (payments)	(21,213)
Due to other funds (net change in)	41,395
Transfers from other funds	264,648
Transfers to other funds	(1,465,003)
Net cash used in financing activities	<u>(263,974)</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Proceeds from issuance of long term debt	163,246
Intergovernmental grants (capital)	69,962
Principal payments on debt	(325,000)
Interest paid on debt	(155,105)
Acquisition of capital assets.	(407,956)
	<u>(654,853)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	<u>2,896</u>
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Net increase in cash and cash equivalents	80,567
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Cash and cash equivalents at beginning of year	<u>1,093,777</u>
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Cash and cash equivalents at end of year	<u><u>\$ 1,174,344</u></u>
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Reconciliation to the Statement of Net Assets:

Cash and Cash Equivelant - Current	\$ 153,863
Cash and Cash Equivelant - Restricted	<u>1,020,479</u>

	<u><u>\$ 1,174,342</u></u>
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(continued)

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CASH FLOWS
ENTERPRISE (UTILITIES) FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

Page 2 of 2

Reconciliation of net income to net cash provided by operating activities:

Income from operations	\$ 537,889
Adjustments of reconcile net income (loss) to net cash provided by operating activities:	
Depreciation expense	726,418
Bad debt expense	23,547
Change in assets and liabilities:	
Receivables, net	(61,783)
Accounts payable	(290,738)
Other payables	-
Compensated absences	14,340
Accrued salaries	(5,291)
Net pension obligation	52,116
Net cash provided by operating activities	<u>\$ 996,498</u>

The accompanying notes are an integral part of these statements.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF PLAN NET ASSETS -
City of Bogalusa Employees' Retirement System
FIDUCIARY FUND
JUNE 30, 2009

ASSETS

Cash and cash equivalents		\$ 281,125
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Receivables:

Member contributions	\$ 17,747	
Employer contributions	209,126	
Accrued interest	<u>33,385</u>	
		260,258

Investments at fair market value:

Fixed income assets	2,637,039	
Value equity assets	1,374,468	
Growth equity assets	<u>935,587</u>	
Total investments		<u>4,947,094</u>

TOTAL ASSETS		<u><u>5,488,477</u></u>
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LIABILITIES

693

NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

\$ 5,487,784

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
City of Bogalusa Employees' Retirement System
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2009

ADDITIONS

Contributions:	
Members	\$ 115,399
Employer	399,134
Total contributions	<u>514,533</u>
Investment income:	
Net depreciation in fair value of investments	(914,613)
Interest and dividends	187,751
	<u>(726,862)</u>
Less investment fee expense	<u>31,250</u>
Net investment income	<u>(758,112)</u>
Total additions	<u>(243,579)</u>

DEDUCTIONS

Benefits	774,481
DROP withdrawals	69,092
Refunds of contributions	12,448
Administrative expenses	691
Other	3,117
Total deductions	<u>859,829</u>

DECREASE IN NET ASSETS	(1,103,408)
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Beginning of the year	<u>6,591,192</u>
End of the year	<u><u>\$ 5,487,784</u></u>

The accompanying notes are an integral part of this statement.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

INTRODUCTION

The City of Bogalusa, Louisiana (the City) was incorporated July 4, 1914, and is governed by the provisions of a home rule charter adopted October 22, 1977. The City operates under a "mayor-council" form of government which consists of an elected council representing the legislative branch of the government and an elected mayor heading the executive branch.

As the municipal governing authority, for reporting purposes, the City is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, and (c) organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the City Council to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City Council.
2. Organizations for which the City Council does not appoint a voting majority but which are fiscally dependent on the Council.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

The City has chosen to issue financial statements of the primary government and only one component unit.

Component Unit Included

City of Bogalusa Employees' Retirement System (COBERS) – COBERS is a legally separate organization, but is fiscally dependent upon the City. It meets the definition of a component unit, and is blended into the basic financial statements as a Fiduciary Type Fund.

Component Units Omitted

City Court of Bogalusa (the Court) -The City Court of Bogalusa is a court of limited jurisdiction and serves Ward 4 of Washington Parish, Louisiana. Although the City Court Judge is an independently elected official, the Court is considered a component unit of the City because of fiscal dependence. The City provides the courtroom and office space for the Court. The City also pays salaries and retirement for the Court's secretaries.

Constable of City Court of Bogalusa (the Constable) - The office of Constable of City Court of Bogalusa was created by special legislative act R.S. 13:1952(5). The Constable is an elected official, and is responsible for executing the orders and mandates of the City Court of Bogalusa. The Constable is also fiscally dependent on the City and considered a component unit.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

Christmas in the Park Commission (the Commission) – The Commission was created on November 1, 1995 by Ordinance No. 1588. The Commission is governed by an 11-member board appointed by the Mayor, with approval of the City Council. The Commission advises the Mayor and the City Council, stimulates public interest and accepts donations to enhance holiday lighting and activities.

Bogalusa Community Arena Commission (the Commission) – The Bogalusa Community Arena Commission is governed by an eleven-member board appointed by the Mayor with approval of the Council. The Commission was established by Ordinance No. 1607 dated June 21, 1995 and amended on December 20, 1995 by Ordinance No. 1623.

Bogalusa Parks and Recreation Commission (the Commission) – The Bogalusa Parks and Recreation Commission is governed by a seventeen-member board appointed by the Mayor with the approval of the Council. The Commission was established by Ordinance No. 824 dated March 6, 1973.

Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Administrative Offices

City Court of Bogalusa
202 Arkansas Avenue
Bogalusa, LA 70427

Constable of City Court of Bogalusa
202 Arkansas Avenue
Bogalusa, LA 70427

Mr. Jerry Bailey
Director of Administration
City of Bogalusa, Louisiana
Post Office Box 11 79
Bogalusa, LA 70429

Primary government officials may appoint some, or all, governing board members of organizations that are not included as component units in the primary government's reporting entity. These organizations are classified as (a) related organizations and (b) joint ventures, as follows:

Related Organizations

Housing Authority of Bogalusa -The Mayor, with confirmation of the City Council, appoints all five Commissioners of the Housing Authority of Bogalusa. However, no further contact or influence exists.

Washington Economic Development Foundation, Inc. - The Mayor appoints one member and the City Council appoints two members of the thirty member Board of Directors of Washington Economic Development Foundation, Inc., which is a non-profit corporation exempt from federal income tax under Internal Revenue Code Section 501 (c)(3).

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

Joint Ventures

Choctaw Road Landfill (the Joint Venture) - The City is a participant with the Washington Parish Government (the Government) in a joint venture to construct and operate the Choctaw Road Landfill, a solid waste disposal landfill. The Joint Venture was opened in July of 1989. The agreed upon percentages for sharing of construction costs, revenue and operating costs were 58.1% for the Government and 41.9% for the City. The Government's share of costs has been funded by a dedicated one percent sales tax in Washington Parish, excluding Ward 4. The City's share of costs has been funded by an ad valorem tax and the issuance of general obligation bonds. Complete financial statements for the Joint Venture can be obtained from the Washington Parish Government at the parish courthouse in Franklinton, LA.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Bogalusa have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principle. Private Sector Standards of Accounting issued on or prior to November 30, 1989 generally are followed in both the government wide financial statements and the proprietary fund type financial statements to the extent those statements do not conflict or contradict the standards of the GASB.

A. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Fund Financial Statements

Emphasis of fund financial reporting is on the major fund level in either the governmental or business-type categories. Major funds are presented alone in a separate column, while non-major funds are summarized into a single column in the basic financial statements.

The daily accounts and operations of the City are organized on the basis of individual funds, each of which is considered a separate accounting entity. The operations of each fund, both major and non-major, are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses, as appropriate. Government

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Financial Statements (continued)

resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped into generic fund types and broad fund categories as presented below, along with identification of major funds.

Governmental Activities Presented as Governmental Funds in the Fund Financial Statements:

General Fund – The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those required to be accounted for in other funds. The General Fund is always a major fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The two special revenue funds reported as major funds in the fund financial statements are as follows:

The Industrial Complex Sales Tax Fund accounts for the ¼-cent sales tax dedicated to improvement maintenance of the City's Industrial Park.

The Landfill fund accounts for the receipt of a 5-mill ad valorem tax dedicated to constructing, acquiring, improving, maintaining and/or operating landfill facilities for the city, including acquisition of land therefore. This fund also accounts for the city's investment in operations of the Choctaw Road Landfill, a joint venture with the Washington Parish Government.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. There are no major debt service funds.

Capital Projects Fund – Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). One Capital Projects Fund is reported as a major fund - The Airport Expansion Fund which accounts for the receipts and expenditures of Federal Aviation Grants and State of Louisiana matching Grants for improvements at the George R. Carr Memorial Airport.

The City reports the following major proprietary fund:

The Utilities Fund accounts for all financial resources water system, sewer system, and garbage collection.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are user fees. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Financial Statements (continued)

Additionally, the City reports the City of Bogalusa Employees' Retirement System (COBERS) as a fiduciary fund since the City acts in a fiduciary capacity for the benefit of the employees. Assets held in this fund are segregated from the City's general operating assets and are not subject to the claims of general creditors.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

COBERS is a single-employer pension plan that covers most permanent City employees except policemen and firemen. The COBERS's financial statements were prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan were recognized when due and the employer has made a formal commitment to provide the contributions. *Benefits and refunds were recognized when due and payable in accordance with the terms of the plan.*

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal period, while intergovernmental (grant) revenues are considered available if received within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the City's investment policy allow the City to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government-backed securities. The City has no investments.

The City of Bogalusa Employees Retirement System's (COBERS) cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the COBERS investment policy allow the COBERS to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds investing in debt and equity securities, as well as direct equity investments all within limitations for each type of investment.

E. Activity Between Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Activity Between Funds (continued)

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

F. Summary of Authorized Ad Valorem and Sales Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to the taxpayer in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The City bills and collects its own property taxes using the assessed values determined by the tax assessor of Washington Parish. When the City receives the tax roll, a receivable is set up and revenue is recognized based on the assessed values.

Sales taxes are recognized as revenue in the month of the sale. The Washington Parish Sheriff is authorized to collect and remit this tax to the City.

The following is a summary of authorized ad valorem taxes.

<u>Fund Type</u>	<u>Purpose</u>	<u>Mills</u>	<u>EXP Date</u>
General	General purpose	10.84	Indefinite
General	Maintenance, equipment, operations and salaries of municipal employees	3.64	2017
General	Fire department maintenance	2.75	2017
General	Maintenance and operation of municipal services	2.65	2019
General	Retirement for police department, fire department, and general city employees	7.79	2019
General	City of Bogalusa Employees' Retirement System	2.71	2015
Debt Service	Street Improvement Bonds	2.75	Indefinite
Special Revenue	Parks and Recreation Facilities	2.00	2019
Special Revenue	Senior Citizens Program	2.00	2019
Special Revenue	Landfill	5.00	2011
Enterprise	Sewer and water works	2.75	2017
Debt Service	Paying bonds and interest	4.95	Indefinite
	Total	49.83	

The following is a summary of authorized sales taxes.

<u>Fund Type</u>	<u>Purpose</u>	<u>Percent</u>	<u>EXP Date</u>
Special Revenue	Street and drainage maintenance	0.25	06/01/12
Special Revenue	Capital improvements	0.15	06/01/12
Enterprise	Water and sewer maintenance	0.15	06/01/12
General	General operations	0.45	06/01/12
Special Revenue	Industrial complex maintenance	0.25	Indefinite
Special Revenue	Employee salaries and benefits	0.50	Indefinite
Special Revenue	Jail operations	0.33	Indefinite
General	General operations	1.00	Indefinite
Enterprise	Wastewater system improvement	0.25	02/01/23
	Total	3.33	

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventories

All inventories are valued at cost using the first-in/first-out method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, sewer infrastructure, and similar items), are reported in the applicable governmental or business-type activities columns in the government wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$2,500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Roads, bridges, and infrastructure	20-40 years
Buildings and building improvements	25-40 years
Furniture and fixtures	5-10 years
Vehicles	5 years
Equipment	5-10 years

J. Compensated Absences

Vacation and sick leave in each department is governed by a different union contract and in the case of fire and police, civil service and other state laws.

Public Works Department and Finance Department/General Government:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate department head. The union contract calls for payment for unused vacation at the end of the year. The City's practice is to pay an employee for up to 90 days at separation. The City allows an employee to bank more vacation time than he/she will be paid for in the event he needs to use it for an emergency.

Sick Leave is earned at a rate of 2 days a month and is cumulative up to 260 days. An employee can be paid for up to 20 days of sick leave at separation. The days earned, but not taken, up to 260 days are kept on the books until an employee separates.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comp time or bank time is earned at 1.5 times the hours actually worked at an overtime rate. Currently bank time is unlimited.

Fire Department and Police Department:

Vacation time is required to be taken in the year it is earned, except with permission from the appropriate chief. The City's practice is to pay an employee for up to 90 days at separation, yet the city allows an employee to bank more vacation in the event he or she needs to use it for an emergency.

Comp time or bank time was earned at 1.5 times the hours actually worked at an overtime rate. Currently bank time is unlimited.

K. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

M. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in these financial statements:

1. The Mayor submits to the council a proposed operating budget at least forty-five days prior to the beginning of each fiscal year. The operating budget includes proposed expenditures and total anticipated revenues.
2. At the meeting of the council at which the operating budget is submitted, the council orders a public hearing on it.
3. At least ten days prior to the date of such hearing the council publishes in the official journal a general summary of the proposed budget.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is legally enacted through passage of an ordinance, no later than the twenty-seventh day of the last month of the calendar year.
5. Budgetary amendments involving the transfer of funds from one department, office, or agency to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the adoption of an ordinance by the Council.
6. Every appropriation, except an appropriation for a capital expenditure, lapses at the close of the fiscal year to the extent that it has not been expended.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended from time to time by the City Council.

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS

A. City of Bogalusa

At December 31, 2009, the City had cash (book balances) totaling \$5,839,178 consisting primarily of demand deposit accounts at local banks. These deposits were stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Governmental Accounting Standards Board (GASB) Statement No. 40, "Deposit and Investment Risk Disclosures" requires disclosure of custodial credit risk for bank deposits. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned to it under the state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City of Bogalusa's name. At December 31, 2009, the City's bank balances amounted to \$6,826,399. Of the bank balances, \$1,102,793 was covered by federal depository insurance and \$4,619,720 was covered by collateral held by the pledging banks' trust department or agent in the City's name at December 31, 2009. The City had \$1,103,886 in bank balances that were neither covered by federal depository insurance nor by collateral held at December 31, 2009.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

B. City of Bogalusa Retirement System

Cash and Cash Equivalents:

At June 30, 2009, cash and cash equivalents consisted of \$216,960 invested in short-term money market mutual funds and \$64,165 in a commercial checking account. The commercial checking account is insured by the Federal Deposit Insurance Corporation up to \$250,000, while the money market funds are not subject to custodial credit risk.

Investments:

In accordance with LRS 11:263, the System is authorized to invest under the Prudent-Man Rule. The Prudent-Man Rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Notwithstanding the Prudent-Man Rule, the System's investment policy allows for fifty percent of the total portfolio to be invested in equity securities and fifty percent to be invested in fixed income securities consisting of U.S. Government and U.S. corporation bonds and notes. Rebalancing occurs when the investment weight of the categories varies by five percent or more.

Concentration of Credit Risk:

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the System's investment in a single issuer. The System's investment policy states that no more than 5 percent of the total stock portfolio value at market may be invested in the common stock of an organization. In addition, exposure to any economic sector shall not exceed greater of 30% of the portfolio at market value and investments in one issuer shall not exceed 5% of the fixed income portfolio's market value unless otherwise authorized by the Board. FHLMC, FNMA, and GNMA are the only organizations which represent 5% of total investments, and there were no investments greater than 30% in one economic sector as of June 30, 2009.

Credit Risk:

Credit risk is defined as the risk that an issuer or other counter party to an investment will not fulfill its obligations. Following are credit risk ratings of the System's investments in long-term debt securities as of June 30, 2009 (Direct U.S. Government obligations totaling \$668,827 are not rated).

Below is a schedule of debt securities owned with their applicable ratings:

	Corporate Bonds	US Treasury Note	Federal Home Loan Mortgage Corp.	Federal National Mortgage Association	Government National Mortgage Association	Federal Home Loan Bank	Total
AAA	\$ -	\$ -	\$105,018	\$ 199,938	\$ -	\$ 107,844	\$ 412,800
AA2	205,428	-	-	-	-	-	205,428
AA3	194,536	-	-	-	-	-	194,536
A1	176,665	-	-	-	-	-	176,665
A2	827,785	-	-	-	-	-	827,785
A3	100,058	-	-	-	-	-	100,058
BAA1	50,940	-	-	-	-	-	50,940
NA	-	-	198,066	87,077	383,684	-	668,827
	<u>\$1,555,412</u>	<u>\$ -</u>	<u>\$303,084</u>	<u>\$ 287,015</u>	<u>\$ 383,684</u>	<u>\$ 107,844</u>	<u>\$ 2,637,039</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

3. DEPOSITS, CASH EQUIVALENTS AND INVESTMENTS (continued)

The System's investment policy limits its investments to corporate debt issues rated equivalent of B or better by Standard & Poor's and Moody's Investor Services. If securities fall to a CCC rating, they are to be eliminated in a timely manner.

Custodial Credit Risk:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Exposure to custodial credit risk arises when securities are uninsured, or are not registered in the name of the Retirement System, and are held by either the counterparty or the counterparty's trust department or agent, but not in the System's name. The System was not exposed to custodial credit risk as of December 31, 2009. However, the System does not have a policy regarding custodial credit risk.

Interest Rate Risk:

Interest rate risk is defined as the risk that changes in interest rates in the general market will adversely affect the fair value of an investment. The holding period of an investment security can be an indicator of interest rate risk exposure. As of June 30, 2009, the System had the following investments in long-term debt securities and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
Corporate Bond	\$ 1,555,412	\$ 302,871	\$ 737,923	\$ 514,618	\$ -
FHLMC	303,084	-	179,623	-	123,461
FNMA	287,014	-	-	199,938	87,076
FHLB	107,844	-	107,844	-	-
GNMA	383,685	-	3,536	-	380,149
US Treasury Notes	-	-	-	-	-
	<u>\$ 2,637,039</u>	<u>\$ 302,871</u>	<u>\$ 1,028,926</u>	<u>\$ 714,556</u>	<u>\$ 590,687</u>

The System has no formal policy regarding interest rate risk.

The System may invest in collateralized mortgage obligations. These securities are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. The holding periods for the collateralized mortgage obligations above are based on maturity dates of the securities.

Foreign Currency Risk

The System did not have any investments that are exposed to foreign currency risk.

4. ACCOUNTS RECEIVABLE

In the government-wide statements, accounts receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts are based upon historical trends, period aging and prior write-offs of similar accounts receivable, receivables balances, sales and franchise tax collections.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

4. ACCOUNTS RECEIVABLES (continued)

Accounts receivable at December 31, 2009 were as follows:

<u>Governmental Activities:</u>	<u>Sales Taxes</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 247,907	\$ 46,256	\$ 231,447	\$ 525,610
Industrial Park Complex Sales Tax	42,760	-	-	42,760
Airport Fund	-	292,608	-	292,608
Other Governmental Funds	210,328	-	2,560	212,888
Total	<u>\$ 500,995</u>	<u>\$ 338,864</u>	<u>\$ 234,007</u>	<u>\$ 1,073,866</u>

<u>Business-type Activities:</u>	<u>Sales Taxes</u>	<u>Customer Utility Accounts</u>	<u>Total Receivables</u>
Operating Fund	\$ 68,382	\$ 652,544	\$ 720,926
Allowance for Uncollected Accounts	-	(417,111)	(417,111)
	<u>\$ 68,382</u>	<u>\$ 235,433</u>	<u>\$ 303,815</u>

5. RESTRICTED CASH

At December 31, 2009, the City maintained restricted cash required by bond covenants pertaining to the \$1,730,000 Sewer Revenue Bonds 1998, \$3,170,000 Sales Tax Sewer Bonds 1998 and \$2,000,000 Sewer Revenue Bonds 1999 as follows:

Sewer Capital Additions and Contingencies Fund	\$ 200,602
Sewer Revenue Bond Sinking Fund	162,665
Sewer Revenue Bond Reserve Fund	262,577
Wastewater Improvement Sales Tax Fund	18,463
Sewer Sales Tax Bond Sinking Fund	142,710
Sewer Sales Tax Bond Reserve Fund	<u>233,462</u>
Total Restricted Cash	<u>\$1,020,479</u>

6. OTHER POST-EMPLOYMENT BENEFITS

The City of Bogalusa allows persons retired from City service to participate in its employees' group health plan. Retired workers who elect to participate do so at their cost; that is the City pays no portion of their premiums. Approximately 18 retirees participate in the plan at a cost to those retirees of approximately \$105,000. Governmental Accounting Standards Board Statement No. 45 "Accounting by Employees for Postemployment Benefits other than Pensions" became effective for 2008 for the City. That statement requires the City to recognize as an expense in the governmental activities, the 'business-type activities', and proprietary utility fund financial statements, the cost of benefits to be received after employment as they are earned by employees over their years of service. Although the City does not directly pay health plan premiums or any portion thereof for the retirees, the mere participation of retirees in the health insurance plan is considered to be a benefit to the employees which results in a cost to the City known as the "implicit rate subsidy". Since retirees have typically higher claims experience, they receive the benefit of participating in the pool with the active employees who generally have less claims experience; thus in a subsidy to the retirees. This subsidy represents a cost to the City under the Governmental Accounting Standards Board Statement No. 45.

According to the statement, the plan is required to be valued periodically by an actuary. The cost of the benefit earned in each period as determined by the actuarial valuation is to be charged to expense, while the amount expensed in excess of amounts contributed to the plan (in effect, the retiree premiums paid) is to be recorded as a liability.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

6. OTHER POST-EMPLOYMENT BENEFITS (continued)

Management has consulted professionals regarding the significance of the benefit's cost and has determined the amount to be immaterial to the financial statements. Therefore, an actuarial valuation has not been performed and no amounts are recorded for these benefits in the accompanying financial statements.

7. NET INVESTMENT IN CHOCTAW ROAD LANDFILL

The City's investment in Choctaw Road Landfill, a joint venture, is presented in the government-wide financial statements as follows:

Current financial resources (current assets less current liabilities) presented in the Fund Financial Statements	\$ 476,448
Other economic resources (net capital assets less landfill closure and post closure care costs)	<u>392,991</u>
Net Investment in Joint Venture	<u>\$ 869,439</u>

The City recognized no net income in the Governmental Statement of Activities from this joint venture since the joint venture's revenues were equal to expenses for 2009.

8. CAPITAL ASSETS

A. Governmental Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2009:

<u>Cost</u>	<u>Balance 12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2009</u>
Land	<u>\$ 1,668,993</u>	<u>-</u>	<u>-</u>	<u>\$ 1,668,993</u>
<u>Depreciated</u>				
Buildings	17,253,695	112,693	(135,730)	17,230,658
Infrastructure	17,322,455	2,271,798	-	19,594,253
Furniture & Equipment	3,390,133	644,575	(224,466)	3,810,242
	<u>37,966,283</u>	<u>3,029,066</u>	<u>(360,196)</u>	<u>40,635,153</u>
<u>Less: Accumulated Depreciation</u>				
Buildings	(6,989,242)	(431,402)	-	(7,420,643)
Infrastructure	(7,811,015)	(517,513)	-	(8,328,528)
Furniture & Equipment	(2,304,315)	(298,553)	287,630	(2,315,238)
	<u>(17,104,572)</u>	<u>(1,247,468)</u>	<u>287,630</u>	<u>(18,064,410)</u>
Net Capital Assets being depreciated	<u>20,861,711</u>	<u>1,781,598</u>	<u>(72,566)</u>	<u>22,570,743</u>
Total Capital Assets	<u>\$ 22,530,704</u>	<u>\$ 1,781,598</u>	<u>\$ (72,566)</u>	<u>\$24,239,736</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

8. CAPITAL ASSETS (continued)

Depreciation expense of \$1,247,468 for the year ended December 31, 2009, was charged to the following governmental functions:

General government	\$ 94,990
Public safety	136,822
Public works	426,319
Culture and recreation	67,910
Economic Development	295,870
Airport	225,557
	<u>\$ 1,247,468</u>

B. Business-type Activities

The following is a summary of the changes in capital assets for the year ended December 31, 2009:

	Balance 12/31/08	Additions	Deletions	Balance 12/31/09
Cost:	(Restated)			
Water and sewer plant	\$ 9,047,776	\$ -	\$ (68,608)	\$ 8,979,168
Sewer treatment plant	2,661,378	-	-	2,661,378
Water well	1,499,710	186,894	-	1,686,604
Collection system	2,744,249	-	-	2,744,249
Sewer pumping system	1,343,751	-	-	1,343,751
Water line	4,218,806	-	-	4,218,806
Equipment & vehicles	470,689	6,070	-	476,759
Sewer treatment Improvements	13,310,007	-	-	13,310,007
Water Meter	-	233,208	-	233,208
	<u>35,296,366</u>	<u>426,172</u>	<u>(68,608)</u>	<u>35,653,930</u>
Less accumulated depreciation for:				
Water & sewer plant	(7,085,057)	(133,676)	41,884	(7,176,849)
Sewer treatment plant	(2,661,378)	-	-	(2,661,378)
Water well	(424,732)	(48,641)	-	(473,373)
Collection system	(2,195,398)	(68,606)	-	(2,264,004)
Sewer pumping system	(1,343,751)	-	-	(1,343,751)
Water line	(1,594,404)	(105,470)	-	(1,699,874)
Equipment & vehicles	(305,103)	(37,240)	-	(342,343)
Sewer treatment Improvements	(1,830,126)	(332,785)	-	(2,162,911)
Water Meter	-	-	-	-
Total accumulated Depreciation	<u>(17,439,949)</u>	<u>(726,418)</u>	<u>41,884</u>	<u>(18,124,483)</u>
Total Capital Assets, net	<u>\$ 17,856,417</u>	<u>\$ (300,246)</u>	<u>\$ (26,724)</u>	<u>\$ 17,529,447</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

9. INTERFUND BALANCES

From time to time, cash may be borrowed between funds or costs may be fronted by one fund for another fund resulting in interfund balances. The following interfund balances exist at December 31, 2009.

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>Governmental Funds:</u>		
General Fund	\$ 735,429	\$ 1,185,971
Industrial Complex Sales Tax Fund	164,122	105,415
Nonmajor governmental funds	1,174,991	703,420
<u>Proprietary Funds:</u>		
Utility System	<u>110,000</u>	<u>189,736</u>
	<u>\$ 2,184,542</u>	<u>\$ 2,184,542</u>

10. INTERFUND TRANSFERS

Transfers between funds occur to provide reimbursement of certain operating costs and are not expected to be repaid. Transfers between funds during 2009 occurred as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds:</u>		
General fund	\$ 2,493,678	\$ 188,895
Industrial Complex Sales Tax Fund	-	83,934
Airport Fund	14,423	-
Other non-major	95,970	1,130,887
<u>Proprietary Funds:</u>		
Utility System	<u>264,648</u>	<u>1,465,003</u>
	<u>\$ 2,868,719</u>	<u>\$ 2,868,719</u>

11. ON-BEHALF PAYMENTS FOR SALARIES

The State of Louisiana sends a check monthly for approximately \$500 directly to each individual fireman and policeman that is qualified and has been employed by the City for at least one year. Policemen received a total of \$268,399, and the firemen received \$193,791 in 2009. The total payments of \$462,190 have been included in the fund financial statements in intergovernmental revenue and public safety expenditures.

12. SHORT-TERM DEBT

The City borrows money during the year to finance expenditures for general operations that are budgeted evenly throughout the year, which are expected to be paid from ad valorem tax revenues collected at year-end.

Short-term debt activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Funds Borrowed</u>	<u>Repayments</u>	<u>Ending Balance</u>
Certificates of Indebtedness	<u>\$ 1,050,000</u>	<u>\$ 1,000,000</u>	<u>\$(1,050,000)</u>	<u>\$ 1,000,000</u>

The borrowings were advanced to the City through a series of certificates of indebtedness bearing interest at 2¼ %.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

13. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS

a. Activities

Long-term liability activity of governmental activities for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Bonds & Certificates of Indebtedness	\$ 5,161,000	\$ -	\$ (436,000)	\$ 4,725,000	\$ 455,000
Notes Payable:					
Hancock Bank-Trucks	104,850	-	(69,112)	35,738	35,738
Capital One-Excavator	123,024	-	(35,957)	87,067	40,842
Capital One-Fire Trucks	-	246,387	(25,766)	220,621	45,899
Capital One-Police Cars	-	201,428	(47,783)	153,645	66,329
Firefighters Retirement System	395,166	-	(190,932)	204,234	204,234
Net Pension Obligation	3,819,916	804,864	-	4,624,780	-
Compensated Absences	904,927	-	(67,335)	837,592	-
Claims & Judgments	524,085	236,564	(130,588)	630,061	-
	<u>\$ 11,032,968</u>	<u>\$ 1,489,243</u>	<u>\$ (1,003,473)</u>	<u>\$ 11,518,738</u>	<u>\$ 848,042</u>

b. Bonds and Certificates of Indebtedness

Bonds and Certificates of indebtedness were as follows at 12/31/2009:

	Date of Issuance	Original Balance	Ending Balance
General Obligation Sewer Bonds, Series 1998, 3.45%	4/1/1998	\$ 5,600,000	\$ 3,060,000
General Obligation 2007 4.6 – 6.0%	10/1/2007	1,750,000	1,590,000
Senior Citizens 4.49%	3/27/2002	510,000	75,000
		<u>\$ 7,860,000</u>	<u>\$ 4,725,000</u>

c. Notes payable

On February 3, 1981, the City and the Board of Trustees of the Firemen's Pension and Relief Fund (FPRF) merged their members who had not retired with the State of Louisiana's Firefighters' Retirement System. Under the terms of the merger, the City bought into the state system for \$1,655,753 by executing a note payable to the state system for that amount. The City makes annual payments of \$127,069 including interest (7%) toward this note.

Effective December 31, 2000, the City and the Board of Trustees of the Firemen's Pension and Relief Fund (FPRF) merged their members who had retired on or before February 3, 1981 with the State of Louisiana Firefighters Retirement System. Under the terms of the merger, the City had to buy into the state system for \$792,562. The COBERS made a down payment of \$104,727; the remaining cash on hand of \$41,619 was applied to the first installment. The remainder of the debt of \$646,216 was assumed by the City to be repaid in ten equal annual payments of \$91,525 including interest (7%) beginning January 15, 2001.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

13. GOVERNMENTAL ACTIVITIES LONG-TERM OBLIGATIONS (continued)

c. Notes payable (continued)

The total amount owed to the State of Louisiana Firefighters' Retirement System as of December 31, 2009 follows (in thousands):

From February 3, 1981 merger (above)	\$ 118,697
From December 31, 2000 merger (above)	<u>85,537</u>
Total	<u>\$ 204,234</u>

In 2007 the City obtained financing for the purchase of four public works trucks through a note payable to Hancock Bank in the amount of \$202,869, bearing interest at 4.5%, payable in 36 monthly installments. In 2008 the City obtained financing for the purchase of an excavator through a lease-financing arrangement with Capital One Bank in the amount of \$123,024, bearing interest at 4.20%, payable in 36 monthly installments. In 2009, the City obtained financing for the purchase of a fire truck and eight police cars through a lease-financing arrangement with Capital One Bank. The lease agreement for fire truck is in the amount of \$246,387, bearing interest at 4.86%, payable in 60 monthly installments. The lease agreement for the eight police cars is in the amount of \$201,428, bearing interest at 4.6%, payable in 36 monthly installments.

d. Annual debt service requirements of bonds and certificates of indebtedness

The annual requirements to service all debts outstanding are as follows for the next five years and for five year increments thereafter:

	Bonds and Certificates			Notes Payable			Total
	Principal	Interest	Total	Principal	Interest	Total	
2010	455,000	188,505	643,505	393,042	24,733	417,775	1,061,280
2011	395,000	169,619	564,619	160,225	11,039	171,264	735,883
2012	415,000	151,873	566,873	72,069	5,164	77,233	644,106
2013	435,000	133,733	568,733	53,082	2,517	55,599	624,332
2014	450,000	115,580	565,580	22,888	279	23,167	588,747
2015-2019	2,125,000	295,007	2,420,007	-	-	-	2,420,007
2020-2022	450,000	31,325	481,325	-	-	-	481,325
	<u>\$4,725,000</u>	<u>\$ 1,085,642</u>	<u>\$ 5,810,642</u>	<u>\$ 701,306</u>	<u>\$ 43,732</u>	<u>\$ 745,038</u>	<u>\$6,555,680</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

14. BUSINESS-TYPE ACTIVITIES LONG-TERM OBLIGATIONS

a. Activity

Long-term liability activity of business-type activities for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Bonds and Certificates of Indebtedness	\$ 4,405,000	\$ 163,246	\$ (325,000)	\$ 4,243,246	\$ 345,000
Net Pension Obligation	1,051,805	52,116	-	1,103,921	-
Compensated Absences	86,551	14,340	-	100,891	-
	<u>\$ 5,543,356</u>	<u>\$ 229,702</u>	<u>\$ (325,000)</u>	<u>\$ 5,448,058</u>	<u>\$ 345,000</u>

Series 2009 A and B Bonds

The City entered into a series of agreements with the Louisiana Department of Health and Hospitals (the Department) whereby the Department has committed to loan the City up to \$5,000,000 to fund construction of a water meter system (project). The loan is to be advanced in incremental amounts as project costs are incurred. The indebtedness to the Department will be evidenced through the Series 2009A and 2009B bonds in the amounts of \$2,000,000 and \$3,000,000, respectively and these bonds will mature in 20 principal installments, payable annually on each September 1. Each annual installment due is based upon a pre-determined percentage of the ultimate amount of the borrowing that is not forgivable (see forgiveness provisions in the following paragraph). The ultimate amount of borrowings is not yet known as of 12/31/2009 since the project is under construction. Principal payments of the amount repayable are to begin September 1, 2011 but may be deferred for one year if the project is not completed by that date. Interest on the bonds is incurred on the bonds at the rate of 2.95% and payment thereof is to begin March 1, 2010 and semi-annually thereafter.

The 2009A series bonds are to be funded with amounts provided under the American Recovery and Reinvestment Act (ARRA). One half of the 2009A bond funds advanced is forgivable upon advancement of the funds to the City. The City received advances of 2009A bond funds of \$139,925 and of 2009B bond funds of \$93,283 during 2009. Of these amounts, \$69,962 has been forgiven and \$163,246 is recorded as payable at December 31, 2009.

b. Bonds outstanding were as follows at 12/31/2009:

	<u>Date of Issue</u>	<u>Original/Notional Balance</u>	<u>Ending Balance</u>
Sales Tax Sewer Bonds, Series 1998, 3.45%	6/17/1998	\$ 3,170,000	\$ 1,890,000
Sewer Revenue Bonds, Series 1998, 2.45%	6/17/1998	1,730,000	905,000
Sewer Revenue Bonds, Series 1999, 3.45%	8/24/1999	2,000,000	1,285,000
Sewer Revenue Bonds, Series 2009, 2.95%	Various	5,000,000	163,246
		<u>\$ 11,900,000</u>	<u>\$ 4,243,246</u>

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

14. BUSINESS TYPE ACTIVITIES LONG-TERM OBLIGATIONS (continued)

c. Annual debt service requirements

A schedule of annual debt service requirements for the bonds for each of the next five years and for five-year increments thereafter is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	345,000	145,746	490,746
2011	355,000	132,821	487,821
2012	370,000	119,428	489,428
2013	380,000	105,565	485,565
2014	395,000	91,234	486,234
2015-2019	2,095,000	223,089	2,318,089
2020	140,000	2,765	142,765
	<u>\$ 4,080,000*</u>	<u>\$ 820,648*</u>	<u>\$4,900,648*</u>

*Excludes Series 2009 A and B Bonds since the ultimate amount to be repaid and the repayment dates are not known as of the issuance of these financial statements.

15. LEGAL DEBT MARGIN

Computation of the legal debt margin for general obligation bonds payable from ad-valorem tax is as follows:

Ad-valorem taxes:

Assessed valuation, 2009 tax rolls \$65,169,200

Debt limit: 35% of assessed valuation \$22,809,220

General obligation bonds outstanding at December 31, 2009
secured by ad-valorem tax \$ 4,725,000

The City is within its allowed legal debt limitation.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

16. PENSION PLANS

a. City of Bogalusa Employees' Retirement System

Plan Description: City of Bogalusa Employees' Retirement System (COBERS) is a single-employer defined benefit pension plan that covers appointive officers and permanent employees of the City except police and fire departments. COBERS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Membership: Participation is mandatory for virtually all full-time non-fire and non-police employees who are employed on a permanent basis, and are under the age of 60 years on the date of employment.

The membership of the plan at June 30, 2009 is as follows:

Retirees & beneficiaries receiving benefits	72
Terminated plan members entitled to but not yet receiving benefits	3
Active plan members	<u>78</u>
Total	<u>153</u>

Description of Benefits: Members become benefit eligible at age 60 with 10 years of service or age 50 with 25 years of service. The normal benefit is equal to two and two-thirds percent of average salary for each year of total service and any fractional part of a year of service. The minimum amount of benefit is 25% of average salary, while maximum benefit is 66 2/3% of average salary. Under the joint and survivor option, 75% of benefits are paid and continue to the surviving spouse until death or remarriage. Cost-of-living adjustments (COLA) are provided with approval of the City Council.

Contributions: Plan members are required to contribute 6% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the year ended of June 30, 2009, the City contributed \$222,544 in employer contributions or 11% of covered payroll. Additionally, the City contributed \$176,590 for the year ended June 30, 2009 which represents the 2008 collections of the 2.71 mills property tax that is dedicated to the system. Contribution requirements of the plan members are established and may be amended by state law.

Annual Pension Cost and Net Pension Obligation: During 1996, the City implemented GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. The GASB required, among other things, that the liability balance of the Net Pension Obligation (NPO) be recognized as general long-term debt. The NPO has been defined as the cumulative difference since 1986 between annual pension cost and the employer's contributions to the plan.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

16. PENSION PLANS (continued)

a. City of Bogalusa Employees' Retirement System (continued)

The City's annual pension cost and net pension obligation to the COBERS for the year ended June 30, 2009 were as follows:

Annual required contribution	\$ 2,274,370
Interest on net pension obligation	341,020
Adjustment to annual required contribution	(1,110,437)
Annual pension cost	<u>1,504,953</u>
Contributions made (cash basis)	<u>647,974</u>
Increase (decrease) in net pension obligation	856,979
Net pension obligation beginning of year	<u>4,871,721</u>
Net pension obligation end of year	<u>5,728,700</u>
<u>Recorded in the statement of Net Assets as:</u>	
Governmental activities	4,624,780
Business-type activities	<u>1,103,920</u>
Total	<u>\$ 5,728,700</u>

The annual required contribution for the current year was determined as part of the June 30, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.00% investment rate of return and (b) projected payroll increases of 4.5% per year of employment. The actuarial value of assets was determined at market value. The unfunded actuarial accrued liability is being amortized as a level percentage of annual compensation. The remaining amortization period at June 30, 2009 was 5 years.

Funding status and funding progress: As of June 30, 2009, the most recent actuarial valuation date, the plan was 32.64% funded. The actuarial accrued liability for benefits was \$16,814,094 with valued assets of \$5,488,476, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,325,618. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision and actuarial results are compared with past expectations and new estimates are made about the future.

b. Municipal Police Employees Retirement System of Louisiana (MPERS)

Plan description: All of the City's full-time police employees participate in the MPERS, a cost sharing, multiple-employer, defined benefit pension plan administered by a separate Board of Trustees. MPERS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. MPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Suite 270, Baton Rouge, Louisiana, 70809, or by calling (225) 929-7411.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

16. PENSION PLANS (continued)

Funding policy: Plan members are required by state statute to contribute 7.50 percent of their annual covered salary to the System, and the City is required to make contributions at an actuarially determined rate. The rate paid by the City during the past fiscal period was 11.00 percent of annual covered payroll. The contribution requirements of plan members and the City of Bogalusa are established and amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the MPERS during the years ended December 31, 2009, 2008, and 2007 totaled \$176,806, \$197,839, and \$254,395, respectively.

c. Firefighters' Retirement System (FRS)

Plan description: All of the City's full time fire employees participate in the FRS, a cost sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. FRS provides retirement, disability, and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute. FRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana, 70806, or by calling (225) 925-4060.

Funding policy: Plan members are required by state statute to contribute 8% of their salary to the system. The City is required by this statute to contribute the remaining amounts necessary to pay benefits when due (currently 14.50%). The contribution requirements of the plan members and the employer are established by, and may be amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City of Bogalusa's contributions to the FRS during the years ended December 31, 2009, 2008, and 2007 totaled \$177,630, \$174,406, and \$184,918, respectively.

Firefighter's Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The financial report may be obtained by writing to Firefighter's Retirement System, 3100 Brentwood Drive, Baton Rouge, LA 70809.

17. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City attempts to minimize risk from significant losses by participating in a public entity risk pool. According to the participation contract, the City transfers all risk to the public entity risk pool. The City is only responsible for the payment of premiums and deductibles on claims; the public entity risk pool is responsible for the payment of claims excluding the deductible. However, the City is, from time to time, exposed to claims that are not covered under its contract with the public entity risk pool. The City has recorded a liability of \$70,000 in the Governmental Activities Statement of Net Assets as of December 31, 2009 related to such a claim.

In prior years, the City has a self-insured retention (deductible) of \$175,000 for worker's compensation. In 2009, the city purchased a full coverage worker's compensation insurance policy. No deductible is required; therefore no reserve liability for claims incurred in 2009. An estimated reserve liability for claims prior to 2009 of \$560,061 has been recorded as general long-term debt.

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

18. GRANTS FROM OTHER GOVERNMENTAL UNITS

Federal and state governmental units provide an important source of supplementary funding used to finance employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in the General Fund, Special Revenue Funds, and Capital Project Funds. A grant receivable is recorded when the City has a right to reimbursement under the related grant, which is generally at the time an eligible expenditure has been incurred.

Most grants received by the City specify the purpose for which the grant monies are to be used and are subject to audit by the granting agency or, in the case of federal grants, the Single Audit Act. These audits may result in disallowed cost on previously received reimbursements requiring the City to return the funds to the grantor.

Grants and contribution revenues are to be categorized between operating and capital. The following categorization supports the grants and contribution revenues reported in the Statement of Activities:

<u>Function/Program</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
General Government	\$ 530,837	\$ 123,653	\$ 654,490
Public Safety	567,220	-	567,220
Airport	-	2,031,286	2,031,286
Utilities	-	69,962	69,962
	<u>\$ 1,098,057</u>	<u>\$ 2,224,901</u>	<u>\$ 3,322,958</u>

19. LEASES OF CITY PROPERTY

The City of Bogalusa has operating leases for various buildings, land and improvements. The lease's terms range from five years to fifteen years. The following is a schedule of future minimum lease commitments for the next five years:

<u>Year</u>	<u>Amount</u>
2010	\$ 137,662
2011	67,549
2012	65,902
2013	65,902
2014	59,902
2015-2016	59,804
	<u>\$ 456,721</u>

Operating lease income for December 31, 2009 was \$119,357. One of the tenants was approximately \$28,000 in arrears in lease payments due the City. Due to the uncertainty of collection, these amounts in arrears are not reflected in the accompanying financial statements.

20. COMPENSATION PAID TO CITY COUNCIL AND MAYOR

<u>Name</u>	<u>Title</u>	<u>Amount</u>
James M. McGehee	Mayor	\$ 49,168
Wendy O'Quin-Perrette	City Council - At Large	7,800
Andrew Deleon, Jr.	City Council - District D	7,200
Daniel D. Stogner	City Council - At Large	7,200
Marilyn Crews	City Council - District A	7,200
Michael Oree	City Council - District B	7,200
Michael Penton	City Council - District C	7,200
Randy Hodges	City Council - District E	7,200

CITY OF BOGALUSA, LOUISIANA
Notes to the Primary Government Financial Statements
As of and for the Year Ended December 31, 2009

21. LITIGATION, CLAIMS AND CONTINGENCIES

On December 31, 2009, the City was a defendant in a number of lawsuits and other claims arising from the normal course of operations; most of which were being defended by the City's insurance carrier. However, some of the claims were not covered through insurance and were thus handled through other hired counsel. The City Attorney has advised that his position on the suits covered under insurance is that they should be defended and/or settled within the policy limits. The lawsuits and claims not covered by insurance are also being vigorously defended. The ultimate disposition of all of these matters is unknown as of the date of issuance of these financial statements; however, certain of these matters could materially affect the City's financial condition if rulings are made in favor of the plaintiff or if the City chooses to settle these matters.

Of particular note are claims for sales tax refunds by the previous and current owners of the paper mill located within the City for years 2000 – 2007 totaling approximately \$1,060,000. Claims for refunds have been made to the Washington Parish Sheriff, the Tax Collector, and these claims were brought before the Louisiana Tax Commission. If the ultimate ruling on this matter is in favor of the mill's owner, the state law allows the refund to be collected by the claimant through withholding of future tax remittances owed. The ultimate resolution of this matter is unknown at this time. No accrual of liability has been made in the City's financial statements.

22. OPERATING ENVIRONMENT AND CASH DEFICIENCIES

Deficit fund balances exist in the following funds:

General Fund	\$1,317,755
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This condition is the result of current liabilities exceeding currently available resources to satisfy those liabilities and signifies financial difficulties for the City. Expenditures in excess of revenues for 2007 and 2008 without substantial net gains in 2009 have led to the current situation. If the fund balance is not brought into a positive position and a higher level of reserves is not maintained, the City's operations could be severely hampered. The City's administration is aware of the cash flow and fund balance issues and is developing a formal plan for strengthening the City's financial condition through expenditure reductions and revenue increases.

23. APPROPRIATIONS IN EXCESS OF BUDGET

	<u>Appropriations</u>	<u>Actual</u>
Industrial Complex Sales Tax Fund (includes transfers)	\$ 281,950	\$ 492,915
Landfill Fund	344,000	419,406

24. PRIOR PERIOD ADJUSTMENT

Business-type activities net assets as of beginning of the year have been restated (increased) by \$521,595 to reflect equipment purchases made in 2008.

Net assets at December 31, 2008 as reported in the 2008 audited financial statements	\$ 12,671,743
Adjustment	<u>521,596</u>
Net assets at December 31, 2008 as reported on pages 12 and 20	<u>\$ 13,193,339</u>

**Required Supplementary
Information**

City of Bogalusa Employees Retirement System
Required Supplemental Information
June 30, 2009
(Unaudited)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
6/30/01	\$7,961,194	\$11,742,250	\$3,781,056	67.80%	\$1,714,925	220.5%
6/30/02	7,592,317	12,893,602	5,301,285	58.88%	1,854,131	285.9%
6/30/03	7,465,356	12,931,251	5,465,895	57.73%	1,784,551	306.3%
6/30/04	7,115,828	12,870,231	5,754,403	55.29%	1,788,500	321.7%
6/30/05	6,484,552	13,433,255	6,948,703	48.27%	1,813,334	383.2%
6/30/06	6,099,761	14,269,074	8,169,313	42.75%	2,009,730	406.5%
6/30/07	6,423,215	15,102,365	8,679,150	42.53%	2,388,454	363.4%
6/30/08	6,262,254	15,332,923	9,070,669	40.84%	2,042,145	444.2%
6/30/09	5,488,476	16,814,094	11,325,618	32.64%	1,857,219	609.81%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Plan Year Funding	Actuarial Annual Required Contributions	Percentage Contributed
6/30/2003	\$ 810,311	40.27%
6/30/2004	871,583	38.19%
6/30/2005	973,570	33.46%
6/30/2006	1,224,795	30.18%
6/30/2007	1,562,720	25.65%
6/30/2008	1,923,122	19.42%
6/30/2009	2,274,370	28.49%

See the accompanying notes to the required supplementary information.

City of Bogalusa Employees Retirement System
Required Supplemental Information
June 30, 2009
(Unaudited)

ASSUMPTIONS AND METHODS RELATED TO ACTUARIAL VALUATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	6/30/2009
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	Five years
Asset valuation method	Market values as of June 30, 2009
Actuarial assumptions:	
Investment rate of return	7.00% per year, compounded annually
Projected salary increases	4.5% per year
Cost-of-living adjustments	N/A

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:				
Ad valorem Taxes	\$ 1,925,660	\$ 1,978,260	\$ 1,980,404	\$ 2,144
Sales Taxes	3,080,500	3,111,310	2,681,529	(429,781)
Other Taxes	56,000	45,000	43,615	(1,385)
Licenses and permits	451,500	452,280	443,083	(9,197)
Franchise Fees	830,850	493,350	342,271	(151,079)
Intergovernmental	1,200,640	1,364,590	690,299	(674,291)
FEMA Reimbursement	300,000	680,410	498,893	(181,517)
Charges for services	37,500	37,690	51,622	13,932
Fines	123,000	110,000	99,629	(10,371)
Interest	20,000	1,250	929	(321)
Miscellaneous	180,820	135,650	129,889	(5,761)
Total revenues	8,206,470	8,409,790	6,962,163	(1,447,627)
Expenditures:				
Current -				
General government	3,649,250	3,866,300	3,172,980	693,320
Public safety	4,211,300	3,992,560	3,942,851	49,709
Public works	1,730,250	1,374,400	1,480,178	(105,778)
Culture and Recreation	-	30,000	19,220	10,780
Airport	58,070	49,680	52,079	(2,399)
Hurricane relief and restoration	-	7,500	7,564	(64)
Capital outlay	-	139,580	596,036	(456,456)
Intergovernmental	104,420	125,660	129,140	(3,480)
Debt service	218,590	235,970	218,595	17,375
Capital lease payments	18,090	51,000	54,013	(3,013)
Total expenditures	9,989,970	9,872,650	9,672,656	199,994
Deficiency of revenues over expenditures	(1,783,500)	(1,462,860)	(2,710,493)	(1,247,633)
Other financing sources (uses):				
Proceeds from issuance of long-term debt	-	-	447,815	447,815
Transfers to other funds	-	-	(188,895)	(188,895)
Transfers from other funds	2,500,000	2,928,630	2,493,678	(434,952)
	2,500,000	2,928,630	2,752,598	(176,032)
Excess (deficiency) of revenues and other sources over expenditures and other uses	716,500	1,465,770	42,105	(1,423,665)
Fund balance (deficit), beginning	(471,070)	(1,359,860)	(1,359,860)	-
Fund balance (deficit), ending	\$ 245,430	\$ 105,910	\$ (1,317,755)	\$ (1,423,665)

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
INDUSTRIAL COMPLEX SALES TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Sales Taxes	\$ 531,540	\$ 536,860	\$ 462,474	\$ (74,386)
Interest	52,000	4,800	4,004	(796)
Total revenues	<u>583,540</u>	<u>541,660</u>	<u>466,478</u>	<u>(75,182)</u>
Expenditures:				
Current -				
Economic Development	200,000	160,000	311,707	(151,707)
Capital outlay	200,000	121,950	181,208	(59,258)
Total expenditures	<u>400,000</u>	<u>281,950</u>	<u>492,915</u>	<u>(210,965)</u>
Excess (deficiency) of revenues over expenditures	183,540	259,710	(26,437)	(286,147)
Other financing sources (uses):				
Transfers (to) from other funds	(21,850)	(21,850)	(83,934)	(62,084)
	<u>(21,850)</u>	<u>(21,850)</u>	<u>(83,934)</u>	<u>(62,084)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>161,690</u>	<u>237,860</u>	<u>(110,371)</u>	<u>(348,231)</u>
Fund balance, beginning	<u>2,430,300</u>	<u>2,259,190</u>	<u>2,259,189</u>	<u>(1)</u>
Fund balance, ending	<u>\$ 2,591,990</u>	<u>\$ 2,497,050</u>	<u>\$ 2,148,818</u>	<u>\$ (348,232)</u>

CITY OF BOGALUSA
BUDGETARY COMPARISON SCHEDULE
LANDFILL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Advalorem taxes	\$ 316,830	\$ 325,380	\$ 324,872	\$ (508)
Interest	15,000	530	452	(78)
Total revenues	<u>331,830</u>	<u>325,910</u>	<u>325,324</u>	<u>(586)</u>
Expenditures:				
Current -				
Landfill	344,000	344,000	419,406	(75,406)
Total expenditures	<u>344,000</u>	<u>344,000</u>	<u>419,406</u>	<u>(75,406)</u>
Excess (deficiency) of revenues over expenditures	(12,170)	(18,090)	(94,082)	(75,992)
Fund balance, beginning	<u>113,710</u>	<u>132,000</u>	<u>131,998</u>	<u>(2)</u>
Fund balance, ending	<u>\$ 101,540</u>	<u>\$ 113,910</u>	<u>\$ 37,916</u>	<u>\$ (75,994)</u>

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Taxes:			
Ad valorem taxes	\$ 1,978,260	\$ 1,980,404	\$ 2,144
Sales tax	3,111,310	2,681,529	(429,781)
Beer tax	25,000	22,924	(2,076)
Bogalusa Housing Authority taxes	20,000	20,691	691
Total Taxes	<u>5,134,570</u>	<u>4,705,548</u>	<u>(429,022)</u>
Licenses and permits:			
Occupational licenses and interest	430,000	429,520	(480)
Alcoholic beverages licenses and permits	13,000	11,230	(1,770)
Building permits	-	20	20
Electrical permits	-	925	925
Chain Store Licenses	8,360	-	(8,360)
Miscellaneous Permits	920	85	(835)
Burial Permits and other	-	1,303	1,303
Total licenses and permits	<u>452,280</u>	<u>443,083</u>	<u>(9,197)</u>
Franchise fees			
LP & L (2%) Electrical	225,000	174,090	(50,910)
Entex Franchise	150,000	125,311	(24,689)
Washington Cablevision	58,350	42,870	(15,480)
AT&T	60,000	-	(60,000)
Total Franchise fees	<u>493,350</u>	<u>342,271</u>	<u>(151,079)</u>
Intergovernmental:			
State Police Supplemental pay	464,400	462,190	(2,210)
Bogalusa School Board Reimbursement	22,520	22,518	(2)
LCLE Receipts	6,580	35,663	29,083
Combination Investigation	6,950	-	(6,950)
JAG Grant	28,010	-	(28,010)
City Hall Federal Grant	398,770	-	(398,770)
Fire Station Project	300,000	-	(300,000)
Homeland Security Grant	17,890	16,647	(1,243)
Department of Justice	7,640	15,056	7,416
Capital District Grant	1,750	2,702	952
Criminal Patrol Grant	9,000	-	(9,000)
Miscellaneous State Aid	25,000	60,000	35,000
LA Gov Assistance Program	49,820	49,821	1
Louisiana Safety Commission Grant	26,260	25,702	(558)
Total Intergovernmental	<u>\$ 1,364,590</u>	<u>\$ 690,299</u>	<u>\$ (674,291)</u>

CITY OF BOGALUSA
SCHEDULE OF REVENUES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
FEMA Reimbursement			
FEMA Payments-Katrina	\$ 680,410	\$ 498,893	\$ (181,517)
Total FEMA Reimbursement	<u>680,410</u>	<u>498,893</u>	<u>(181,517)</u>
Charges for services:			
Zoning Change Charges	1,690	1,834	144
Certified Letters	-	6,117	6,117
Wreck & Fire Reports	-	7,755	7,755
Pound Fees	-	515	515
Witness Fees	-	18,960	18,960
Recording Deeds	-	(5,827)	(5,827)
Research fees	-	161	161
Bonding fees	-	20,777	20,777
Fingerprint fees	-	1,330	1,330
Miscellaneous	36,000	-	(36,000)
Total charges for services	<u>37,690</u>	<u>51,622</u>	<u>13,932</u>
Fines and Penalties			
Court Fines	110,000	99,629	(10,371)
Total Fines	<u>110,000</u>	<u>99,629</u>	<u>(10,371)</u>
Interest:			
Interest Earned	1,250	543	(707)
Cassidy Park Campground Donations & Interest	-	6	6
Retirement Interest Earned	-	380	380
Total interest earned	<u>1,250</u>	<u>929</u>	<u>(321)</u>
Miscellaneous:			
2% Fire Insurance	50,600	50,504	(96)
Cemetery Plot Sales	10,000	11,700	1,700
Airport income	2,220	1,399	(821)
Advertising	-	740	740
Returned Checks Charges	-	425	425
Police Seized Funds	-	5,646	5,646
Over & Short	-	(261)	(261)
ATM Rent	-	225	225
Sale of Equipment	15,500	11,860	(3,640)
Sale of adjudicated property	-	400	400
Xerox receipts	-	322	322
Police forfeiture funds	-	195	195
Clearing Lots	-	4,000	4,000
Other Misc Revenue	57,330	42,734	(14,596)
Total miscellaneous	<u>135,650</u>	<u>129,889</u>	<u>(5,761)</u>
TOTAL REVENUES	<u>\$ 8,409,790</u>	<u>\$ 6,962,163</u>	<u>\$ (1,447,627)</u>

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual	Variance - Favorable (Unfavorable)
General Government:			
<i>City Council:</i>			
Salaries and wages	\$ 92,760	\$ 89,704	\$ 3,056
Contract overtime	190	706	(516)
Overtime	850	400	450
Supplies and expense	12,250	12,168	82
Gas and oil	500	415	85
Employee group insurance	5,350	7,116	(1,766)
Travel	6,500	4,149	2,351
Auditing fees	58,490	61,931	(3,441)
Publications	7,440	7,727	(287)
<i>Totals City Council</i>	<u>184,330</u>	<u>184,316</u>	<u>14</u>
<i>Mayor's Office:</i>			
Salaries and wages	88,350	89,198	(848)
Contract overtime	1,320	1,040	280
Overtime	-	-	-
Supplies and expense	4,080	3,558	522
Gas and oil	2,820	3,086	(266)
Employee group insurance	14,480	14,518	(38)
Travel	1,250	761	489
Publications	100	-	100
Dues and subscriptions	5,000	6,335	(1,335)
<i>Total Mayor's Office</i>	<u>117,400</u>	<u>118,496</u>	<u>(1,096)</u>
<i>City Attorney:</i>			
Legal and professional	43,950	43,480	470
<i>Total City Attorney</i>	<u>43,950</u>	<u>43,480</u>	<u>470</u>
<i>City Prosecutor:</i>			
Salaries and wages	32,370	32,710	(340)
Contract overtime	730	733	(3)
Overtime	340	1,352	(1,012)
Office allowance	1,900	323	677
Employee group insurance	5,350	5,341	9
<i>Total City Prosecutor</i>	<u>\$ 39,790</u>	<u>\$ 40,459</u>	<u>\$ (669)</u>

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<i>Personnel:</i>			
Salaries and wages	\$ 57,160	\$ 58,116	\$ (956)
Contract overtime	770	776	(6)
Overtime	-	-	-
Supplies and expense	1,200	1,415	(215)
Gas and oil	-	30	(30)
Employee group insurance	10,700	10,683	17
Travel	100	60	40
<i>Total Personnel</i>	<u>69,930</u>	<u>71,080</u>	<u>(1,150)</u>
<i>Administration and Finance:</i>			
Salaries and wages	231,530	235,238	(3,708)
Contract overtime	6,100	6,119	(19)
Overtime	4,010	4,507	(497)
Supplies and expense	43,390	43,947	(557)
Gas and oil	350	237	113
Employee group insurance	47,690	47,128	562
Travel	660	692	(32)
Computer maintenance	1,500	1,162	338
Contract labor - pension records	10,000	10,000	-
<i>Total Administration and Finance</i>	<u>345,230</u>	<u>349,030</u>	<u>(3,800)</u>
<i>Retirement system:</i>			
General government	331,720	339,474	(7,754)
Public safety	312,440	316,596	(4,156)
<i>Total retirement system</i>	<u>644,160</u>	<u>656,070</u>	<u>(11,910)</u>
<i>Purchasing:</i>			
Salaries and wages	89,720	90,610	(890)
Contract overtime	880	885	(5)
Overtime	20	11	9
Supplies and expense	3,000	2,964	36
Gas and oil	350	291	59
Employee group insurance	18,190	18,229	(39)
Advertising	9,000	1,107	7,893
<i>Total purchasing</i>	<u>\$ 121,160</u>	<u>\$ 114,097</u>	<u>\$ 7,063</u>

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual	Variance - Favorable (Unfavorable)
General and Administrative:			
Fica and medicare expense	\$ 77,000	\$ 68,473	\$ 8,527
Maintenance - municipal building	-	(3,341)	3,341
Interest expense	15,350	6,839	8,511
Insurance expense	1,200,000	1,111,354	88,646
Legal and other professional	67,910	143,796	(75,886)
Utilities expense	-	115,910	(115,910)
Assessor's fees	6,460	5,952	508
Coroner's expense	22,650	14,000	8,650
Wash. Parish Veterans Office	8,720	7,997	723
City court supplies and expense	15,000	18,778	(3,778)
Municipal fire and police - civil service	3,720	4,443	(723)
Tax Renewal Advertising	1,500	-	1,500
Police witness fees	18,000	15,100	2,900
Bonding fees expense	25,000	6,282	18,718
Miscellaneous	40,000	21,566	18,434
Election expense	30,000	25,550	4,450
Planning and zoning	3,000	4,032	(1,032)
RCC contract	-	27,387	(27,387)
Police forfeiture fund expense	-	1,834	(1,834)
City Hall Project - Federal Funds	398,770	-	398,770
Downtown Project - State Funds	300,000	-	300,000
Other projects	67,270	-	67,270
Total general and administrative	1,380,350	1,595,952	704,398
Total General Government	3,866,300	3,172,980	693,320
Public Safety			
Police:			
Salaries and wages	1,219,170	1,251,686	(32,516)
Contract overtime	129,000	133,341	(4,341)
Overtime	125,000	101,526	23,474
Shift differential	9,100	10,916	(1,816)
Holiday pay	71,000	79,201	(8,201)
State supplemental pay	264,200	268,399	(4,199)
Prepaid uniform allowance	18,960	15,750	3,210
Supplies and expense	70,000	86,659	(16,659)
Gas and oil	59,000	45,598	13,402
School patrol guards	12,480	12,475	5
Employee group insurance	253,990	256,979	(2,989)
Travel	750	245	505
Special investigations	500	345	155
Narcotics investigations	500	-	500
Education and training	2,500	1,656	844
Computer maintenance	-	27	(27)
LCLE Grant - Supplies	2,500	-	2,500
Combination Investigation Grant - Overtime	6,950	-	6,950
LA Safety Commission Grant - Overtime	22,110	-	22,110
Criminal Patrol Grant - Overtime	9,000	-	9,000
JAG Grant	28,010	-	28,010
Homeland Security Grant - Supplies	17,890	-	17,890
Total Police	\$ 2,322,610	\$ 2,264,803	\$ 57,807

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual	Variance - Favorable (Unfavorable)
<i>Fire:</i>			
Salaries and wages	\$ 1,040,960	\$ 1,054,089	\$ (13,129)
Contract overtime	90,000	97,633	(7,633)
Overtime	20,000	19,313	687
Shift differential	6,120	6,486	(366)
Holiday pay	59,000	60,637	(1,637)
State supplemental pay	199,800	193,791	6,009
Prepaid uniform allowance	15,050	13,650	1,400
Supplies and expense	22,000	17,568	4,432
Gas and oil	15,000	14,475	525
Employee group insurance	193,520	192,393	1,127
Travel	3,500	2,735	765
Education and training	5,000	5,278	(278)
<i>Total Fire</i>	<u>1,669,950</u>	<u>1,678,048</u>	<u>(8,098)</u>
 Total Public Safety	 <u>3,992,560</u>	 <u>3,942,851</u>	 <u>49,709</u>
 Public Works			
<i>Public works - central:</i>			
Salaries and wages	775,550	795,677	(20,127)
Overtime	14,000	17,987	(3,987)
Contract overtime	2,000	1,855	145
Allowance - rainsuits, clothing	2,450	2,450	-
Supplies and expense	30,000	18,760	11,240
Gas and oil	69,720	67,305	2,415
Pest control materials	15,000	1,732	13,268
Cemetery maintenance materials	15,000	15,952	(952)
Uniform expense	25,000	28,117	(3,117)
Employee group insurance	180,790	181,292	(502)
Travel	250	106	144
Repairs - equipment	350	248	102
<i>Total public works - central</i>	<u>1,130,110</u>	<u>1,131,481</u>	<u>(1,371)</u>
 <i>Public works - electrical:</i>			
Salaries and wages	35,790	36,395	(605)
Overtime	100	-	100
Allowance - rainsuits, clothing	260	130	130
Supplies and expense	1,000	1,812	(812)
Tools and equipment	100	-	100
Employee group insurance	5,320	5,341	(21)
<i>Total public works - electrical</i>	<u>\$ 42,570</u>	<u>\$ 43,678</u>	<u>\$ (1,108)</u>

CITY OF BOGALUSA
SCHEDULE OF EXPENDITURES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Final Budget	Actual	Variance - Favorable (Unfavorable)
Public works - motor pool:			
Salaries and wages	\$ 115,000	\$ 116,349	\$ (1,349)
Overtime	1,300	1,929	(629)
Allowance - rainsuits, clothing	330	350	-
Supplies and expense	6,000	7,758	(1,758)
Tools and equipment	2,880	2,496	384
Gas and oil	8,000	7,697	303
Employee group insurance	22,350	21,299	1,051
Vehicle maintenance - general	6,000	18,958	(12,958)
Vehicle maintenance - mayor, admin, and purchasing	1,000	7,401	(6,401)
Vehicle maintenance - police	12,750	24,220	(11,470)
Vehicle maintenance - fire	4,810	9,951	(5,141)
Vehicle maintenance - public works	10,930	85,902	(64,972)
Licenses - chauffeurs	350	709	(359)
Total public works - motor pool	201,720	305,019	(103,299)
Total Public Works	1,374,400	1,480,178	(105,778)
Culture and Recreation			
National Endowment for Humanities grant	-	-	-
City beautification project	30,000	19,220	10,780
Total Culture and Recreation	30,000	19,220	10,780
Airport:			
Airport manager	15,600	15,600	-
Airport expense	-	1,620	(1,620)
Insurance	5,270	6,918	(1,648)
Utilities	23,810	21,541	2,269
Maintenance	5,000	4,586	414
Travel	-	1,814	(1,814)
Total Airport	49,680	52,079	(2,399)
Hurricane relief and restoration	7,500	7,564	(64)
Capital outlay	139,580	596,036	(456,456)
Intergovernmental	125,660	129,140	(3,480)
Debt Service			
Debt service - principal	190,930	190,934	(4)
Debt service - interest	45,040	27,661	17,379
Total Debt Service	235,970	218,595	17,375
Capital Lease Payments	51,000	54,013	(3,013)
Total Expenditures	\$ 9,872,650	\$ 9,672,656	\$ 199,994

Supplementary Information

**Combining Non-Major Fund
Financial Statements**

CITY OF BOGALUSA, LOUISIANA
Non-Major Governmental Funds
December 31, 2009

Special Revenue Funds

Employee Pay Raise Sales Tax - Accounts for the receipt of a 1/2 cent sales and use tax. The proceeds are dedicated to the purpose of paying salaries and benefits of City employees. The tax is for an indefinite period.

Street Improvement Sales Tax - Accounts for the receipt of 25% of a one-cent sales and use tax. The proceeds are dedicated to street and drainage repair, maintenance, operation and additions.

Capital Improvement Sales Tax - Accounts for the receipt of 15% of a one-cent sales and use tax. The proceeds are dedicated to the acquisition, operation, and maintenance of land, buildings, and equipment.

Industrial Complex Rent/Lease - Accounts for the receipt of rent from the Industrial Park. Expenditures are not legally restricted for any certain purpose.

Senior Citizens Programs - Accounts for the receipt of 50% of a 4-mill ad valorem tax dedicated for acquiring, constructing, improving, operating and maintaining senior citizens programs

Youth Recreation and Parks - Accounts for the receipt of 50% of a 4-mill ad valorem tax dedicated for acquiring, constructing, improving, operating and maintaining parks and recreation facilities.

Jail Operations Sales Tax - Accounts for the receipt of one-third of one percent (1/3%) sales and use tax dedicated for improvements, maintenance and operation of the City Jail, including, but not limited to, the construction of additions to or expansions of the existing Bogalusa City Jail and for purchasing, maintaining and operating related equipment.

Debt Service Fund

General Obligation Bond Sinking Fund #1 - Accumulates monies for payment of the 1992 \$1,000,000 Landfill Facilities Improvement Bonds and the 1998 \$5,600,000 General Obligations Sewer Bonds.

Limited Tax Certificates of Indebtedness, Series 2002 - Accumulates monies for payment of the Series 2002, \$510,000 Senior Citizens Facility.

General Obligation Bond Sinking Fund #4 - Accumulates monies for payment of the \$1,750,000 General Obligations Revenue Bonds, Series 2007 for street overlay.

CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

Special Revenue Funds

	Employee Pay Raise Sales Tax Fund	Street Improvement Sales Tax Fund	Capital Improvement Sales Tax Fund	Industrial Complex Rent/Lease Fund	Senior Citizens Program Fund	Youth Recreation and Parks Fund	Jail Operations Sales Tax Fund
ASSETS							
Cash and cash equivalents	\$ 66,561	\$ 31,878	\$ 40,767	\$ 29,114	\$ 216,474	\$ 173,172	\$ 17,463
Property taxes receivable	-	-	-	-	30,966	30,967	-
Accounts receivable	85,521	42,760	25,622	-	-	-	58,985
Due from other funds	-	123,860	82,262	157,839	-	-	-
TOTAL ASSETS	\$ 152,082	\$ 198,498	\$ 148,651	\$ 186,953	\$ 247,440	\$ 204,139	\$ 76,448
LIABILITIES							
Accounts payable	\$ -	\$ 7,236	\$ 2,727	\$ 4,149	\$ -	\$ 1,249	\$ 28,768
Due to other funds	127,082	187,681	138,246	181,845	-	62,509	6,057
Deferred revenue	-	-	-	-	8,103	8,103	-
TOTAL LIABILITIES	\$ 127,082	\$ 194,917	\$ 140,973	\$ 185,994	\$ 8,103	\$ 71,861	\$ 34,825
FUND BALANCES							
Reserved:							
Debt Service	-	-	-	-	-	-	-
Unreserved	25,000	3,581	7,678	959	239,337	132,278	41,623
TOTAL FUND BALANCES	\$ 25,000	\$ 3,581	\$ 7,678	\$ 959	\$ 239,337	\$ 132,278	\$ 41,623
TOTAL LIABILITIES AND FUND BALANCES	\$ 152,082	\$ 198,498	\$ 148,651	\$ 186,953	\$ 247,440	\$ 204,139	\$ 76,448

(continued)

CITY OF BOGALUSA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Debt Service Funds				Total Non-Major Governmental Funds
	General Obligation Bond Sinking Fund #1	Certificates of Indebtedness, Series 2002	General Obligation Bond Sinking Fund #4	Limited Tax	
ASSETS					
Cash and cash equivalents	\$ 392,649	\$ 157	\$ 181,327		\$ 1,149,562
Property taxes receivable	76,646	-	42,583		181,162
Accounts receivable	-	-	-		212,888
Due from other funds	660,000	-	151,030		1,174,991
TOTAL ASSETS	\$ 1,129,295	\$ 157	\$ 374,940		\$ 2,718,603
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -		\$ 44,129
Due to other funds	-	-	-		703,420
Deferred revenue	20,056	-	11,143		47,405
TOTAL LIABILITIES	20,056	-	11,143		794,954
FUND BALANCES					
Reserved:					
Debt Service	1,109,239	157	363,797		1,473,193
Unreserved	-	-	-		450,456
TOTAL FUND BALANCES	1,109,239	157	363,797		1,923,649
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,129,295	\$ 157	\$ 374,940		\$ 2,718,603

(concluded)

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds						
	Employee Pay Sales Tax Fund	Street Improvement Sales Tax Fund	Capital Improvement Sales Tax Fund	Industrial Complex Rent/Lease Fund	Senior Citizens Program Fund	Youth Recreation and Parks Fund	Jail Operations Sales Tax Fund
Revenues:							
Ad valorem Taxes							
Sales Taxes	924,948	462,476	277,117	-	129,943	129,944	\$ 610,446
Intergovernmental							32,518
Interest	37	70	72	55	234	272	18
Rent				116,357			
Miscellaneous		260,000		2,999		4,688	
Total revenues	924,985	722,546	277,189	119,411	130,177	134,904	642,982
Expenditures:							
Current:							
Public safety							679,677
Public works		446,155	105,119				
Culture and Recreation					17,952	133,777	
Economic Development				114,013			
Capital outlay		277,810	24,459				
Debt Service:							
Principal			130,836				
Interest			14,097				
Total expenditures	924,985	(1,419)	2,678	5,398	112,245	1,127	(36,695)
Excess (deficiency) of revenues over expenditures							
Other financing sources (uses):							
Transfers to other funds	(924,985)			(67,423)	(75,970)	(62,509)	20,000
Transfers from other funds				(67,423)	(75,970)	(62,509)	20,000
Excess (deficiency) of revenues and other sources over expenditures and other uses							
Fund balance, beginning	25,000	5,000	5,000	62,984	203,062	193,660	58,318
Fund balance, ending	25,000	3,581	7,678	959	239,337	132,278	41,623

(continued)

CITY OF BOGALUSA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Debt Service Funds			Total Non-
	General	Limited Tax	General	Major
	Obligation Bond	Certificates of	Obligation Bond	Governmental
	Sinking Fund #1	Indebtedness,	Sinking Fund #4	Funds
		Series 2002		
Revenues:				
Ad valorem Taxes	\$ 321,645	\$ -	\$ 179,255	\$ 760,787
Sales Taxes	-	-	-	2,274,987
Intergovernmental	-	-	-	32,518
Interest	569	\$ -	207	1,559
Rent	-	-	-	116,357
Miscellaneous	-	-	-	267,687
Total revenues	322,214	5	179,462	3,433,895
Expenditures:				
Current -				
Public safety	-	-	-	679,677
Public works	-	-	-	551,274
Culture and Recreation	-	-	-	151,729
Economic Development	-	-	-	114,013
Capital outlay	-	-	-	302,269
Debt Service -				
Principal	280,000	71,000	85,000	566,836
Interest	126,365	4,970	77,430	222,862
Total expenditures	406,365	75,970	162,430	2,588,660
Excess (deficiency) of revenues over expenditures	(84,151)	(75,965)	17,032	865,235
Other financing sources (uses):				
Transfers to other funds	-	-	-	(1,130,887)
Transfers from other funds	-	75,970	-	95,970
	-	75,970	-	(1,034,917)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(84,151)	5	17,032	(169,682)
Fund balance, beginning	1,193,390	152	346,765	2,093,331
Fund balance, ending	\$ 1,109,239	\$ 157	\$ 363,797	\$ 1,923,649

(concluded)

CITY OF BOGALUSA, LOUISIANA

INSURANCE-IN-FORCE
DECEMBER 31, 2009
(Unaudited)

<u>Policy</u>	<u>Insurance Company</u>	<u>Term</u>	<u>Policy #</u>	<u>Coverage</u>
Property/Inland Marine	Scottsdale Insurance Co.	03/25/09 – 03/25/10	CPS0996214	\$ 21,785,731
Electronic Equipment	America First Insurance	01/01/09 – 01/01/10	IM8107636	\$ 517,000
Boiler & Machinery	Hartford Steam Boiler Ins.	01/01/09 – 01/01/10	FBP9530402	\$ 13,000,000
Airport Liability Lessor's Risk Only	AXA Insurance Company	01/01/09 – 01/01/10	AVT504026- 2009-00	\$ 1,000,000/ \$ 2,000,000

Bonds:

Employee Dishonesty	Travelers	02/12/09 – 01/12/10	104462989	\$ 75,000
Employee Dishonesty	CAN Surety	Various	Various	

CITY OF BOGALUSA, LOUISIANA

PUBLIC UTILITY SYSTEM OPERATIONS

DECEMBER 31, 2009

Unaudited

Statistics on System Operations

- a) As of December 31, 2009, there were 5,090 unmetered customers for the water and sewer systems. Total water revenues for 2009 were \$1,481,892.
- b) The following rate schedules were in effect during the fiscal year for water:

	Rate per <u>1,000 Gallons</u>
All customers unmetered for 2009.	
First 2,000 gallons or less	\$ 7.50
Next 13,000 gallons/Mgal	2.30
Next 35,000 gallons/Mgal	1.15
Over 50,000 gallons/Mgal	1.00

- c) Average monthly billing per residential customer was:

Water \$ 24.26

ROBERT A. NEILSON

CERTIFIED PUBLIC ACCOUNTANT, L.L.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable J. M. "Mack" McGehee, Mayor
and the Members of the City Council
City of Bogalusa, Louisiana

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bogalusa, Louisiana, as of and for the year ended December 31, 2009, which collectively comprise the City of Bogalusa, Louisiana's basic financial statements and have issued my report thereon dated July 19, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered City of Bogalusa, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bogalusa, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Bogalusa, Louisiana's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

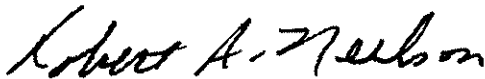
Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bogalusa, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying

schedule of findings and questioned costs as items 2009-1, 2009-2, 2009-3, 2009-4, 2009-5, 2009-6, 2009-7, and 2009-8.

City of Bogalusa, Louisiana's response to the findings identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit City of Bogalusa, Louisiana's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, the Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Robert A. Nelson". The signature is written in a cursive style with a large, stylized "R" and "N".

July 19, 2010
Bogalusa, Louisiana

ROBERT A. NEILSON

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ROBERT A. NEILSON

MEMBER
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable J. M. "Mack" McGehee, Mayor
and the Members of the City Council
City of Bogalusa, Louisiana

Compliance

I have audited the compliance of the City of Bogalusa, Louisiana, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. City of Bogalusa, Louisiana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Bogalusa, Louisiana's management. My responsibility is to express an opinion on City of Bogalusa, Louisiana's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Bogalusa, Louisiana's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of City of Bogalusa, Louisiana's compliance with those requirements.

As described in items 2009-9 and 2009-10 in the accompanying schedule of findings and questioned costs, the City of Bogalusa, Louisiana, did not comply with requirements regarding cash management that are applicable to its Airport Improvement Program. Compliance with such requirements is necessary, in my opinion, for City of Bogalusa, Louisiana, to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the City of Bogalusa, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of City of Bogalusa, Louisiana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants

applicable to federal programs. In planning and performing my audit, I considered City of Bogalusa, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of City of Bogalusa, Louisiana's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified a certain deficiency in internal control over compliance that I consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-9 and 2009-10 to be a material weakness.

The City of Bogalusa, Louisiana's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit City of Bogalusa, Louisiana's responses and, accordingly, I express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, the Legislative Auditor, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



July 19, 2010
Bogalusa, Louisiana

City of Bogalusa
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor / Program or Cluster Title</u>	<u>Grant Award Number / Project ID</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Justice			
Indirect Programs:			
Pass-through Louisiana Commission on Law Enforcement and Administration of Criminal Justice			
Combination Investigation	M08-5-009	16.588	\$ 8,528
Criminal Patrols	B07-5-023	16.579	900
Criminal Patrols	B05-05-038	16.738	977
Total Indirect Programs			<u>10,405</u>
Total US Department of Justice			<u>10,405</u>
United States Department of Transportation			
Indirect Programs:			
Pass-through the Louisiana Department of Transportation and Development:			
Airport Improvement Program	AIP 3-22-0007-014	20.106	281,067
Airport Improvement Program	AIP 3-22-0007-015	20.106	<u>1,621,841</u>
			<u>1,902,908</u>
Pass-through Louisiana Highway Safety Commission			
Police Traffic Services	K8FR 2009-05-06-00	20.600	20,295
Police Traffic Services	K8FR 2010-23-0	20.600	<u>5,407</u>
			<u>25,702</u>
Total US Department of Transportation			<u>\$ 1,928,610</u>

(Continued)

City of Bogalusa
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor / Program or Cluster Title</u>	<u>Grant Award Number / Project ID</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Homeland Security			
Indirect Programs:			
Pass-through Louisiana Commission on Law Enforcement and Administration of Criminal Justice			
Law Enforcement Terrorism Prevention Program	2005-GE-T5-0004	97.067	\$ 1,911
Law Enforcement Terrorism Prevention Program	2006-GE-T6-0069	97.067	1,251
Law Enforcement Terrorism Prevention Program	2007-GE-T7-0019	97.067	13,485
Pass-through Governor's Office of Homeland Security and Emergency Preparedness			
Public Assistance - Disaster Grants for Presidentially Declared Disasters	Various	97.036	<u>498,994</u>
Total US Department of Homeland Security			<u>515,641</u>
American Recovery and Reinvestment Act:			
Environmental Protection Agency			
Indirect Programs:			
Pass-through Louisiana Department of Health and Hospitals			
Capitalization Grants for Drinking Water State Revolving Funds	ARRA-	66.468	<u>139,925</u>
Total Environmental Protection Agency			<u>139,925</u>
United States Department of Justice			
Pass-through Louisiana Commission on Law Enforcement and Administration of Criminal			
Information Systems Upgrade	B82-8-019 - ARRA	16.803	<u>22,620</u>
Total Expenditures of Federal Awards			<u>\$ 2,617,201</u>

See accompanying notes to schedule of expenditures of federal awards

CITY OF BOGALUSA, LOUISIANA
Notes to the Schedule of Expenditures of Federal Awards
December 31, 2009

Note A – General

The City of Bogalusa's Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the primary government of the City. All federal financial assistance received directly from federal agencies is included on the schedule, as well as federal financial assistance passed-through other government agencies.

Note B – Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's financial statements for the year ended December 31, 2009.

Note C – Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

City of Bogalusa, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None Reported

Noncompliance material to financial statements noted? X Yes ___ No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? X Yes ___ No
- Significant deficiencies identified that are not considered considered to be material weaknesses? ___ Yes X None reported

Type of auditor's report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes ___ No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	United States Department of Transportation Airport Improvement Program
97.036	United States Department of Homeland Security Passed-through Louisiana Governor's Office of Homeland Security and Emergency Preparedness Disaster Grants for Presidentially Declared Disasters

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ Yes X No

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Section II – Financial Statement Findings

2009-1

Criteria	Louisiana R.S. 39:1311 requires that the budget be amended when total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more; or, actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more.
Condition	The budget was not properly amended. Revenues were under budgeted amounts for the General Fund by 12.6% and for the Industrial Complex Sales Tax Fund by 13.9%. Expenditures exceeded budgeted amounts for the Industrial Complex Sales Tax Fund 89.9% and the Landfill Fund 21.9%.
Effect	Violation of State law.
Recommendation	The budget should be amended as necessary to comply with state law.
Management's Response	We do not dispute the finding. The financial condition of the City has been re-assessed by the administration. That re-assessment has resulted in restructuring of the City's operations and staffing. The 2010 budget will be amended to reflect the changes to operations of all funds.

2009-2

Criteria	R.S. 39:1221 requires bank deposits of a municipality to be secured by the depository. R.S. 39:1225 requires that such security shall be equal to one hundred percent of the deposits held at all times above the amount insured by the FDIC.
Condition	Bank deposits in the amount of \$1,103,886 were undercollateralized at year end.
Effect	Risk of loss pertaining to the funds not secured by the bank. Noncompliance with State law.
Recommendation	The City should monitor all deposits to ensure collateralization requirements are met as provided by state law.

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

2009-2 (continued)

**Management's
Response**

We do not dispute the finding. Given the City's limited accounting resources, the administration relies upon the fiscal agent bank to ensure that deposits are adequately collateralized and monitor the level of coverage. This condition was actually a result of a technicality in the law that excluded the City's accounts from the unlimited FDIC insurance provided under the TARP Program. Per discussions with Whitney Bank personnel, this condition has been remedied and all accounts are adequately collateralized.

2009-3

Criteria

State Law (R.S. 11:3031 - 3053) created the City of Bogalusa Employee's Retirement System and provides for its administration. R.S. 11:3045(A) states, "The City shall make contributions to the system each year on an actuarially funded basis, toward the annuities and benefits herein provided."

Condition

At June 30, 2009, the City had a net pension obligation of \$5,728,700. The actuarial required annual contribution calculated for 2009 was \$1,504,953. The City's contributions for the plan year were \$647,974 resulting in an increase of the net pension obligation of \$856,979 for the year. The funded ratio has decreased from 67.8% at June 30, 2001 to 32.64% at June 30, 2009.

Also, the City owes the retirement system \$180,000 for 2006 ad valorem taxes that were deposited in the general fund checking account.

Effect

An increase in the net pension obligation for the year.

Recommendation

The City should develop a plan to ensure that the plan is actuarially funded in accordance with state law.

In addition, the City should pay the retirement system the approximately \$180,000 of 2006 ad valorem taxes held in its general fund checking account.

**Management's
Response**

The Administration acknowledges the challenges the City faces regarding the underfunded status of the COBERS. This condition has culminated over many years and its remedy will not be an overnight fix. As mentioned in responses to previous findings, the City has restructured its operations that should result in reduced costs. Savings from those cost reductions will be applied toward funding the plan as amounts come available.

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

2009-4

Criteria	Bogalusa City Charter Article II Section 2-10.9 requires an ordinance whenever debt is incurred.
Condition	No ordinance approved for capital lease of fire truck acquired.
Effect	Violation of City Charter.
Recommendation	Management should develop a file with signed copies of ordinances and other required documents prior to engaging in any act requiring such documentation.
Management's Response	We do not dispute the finding. This condition was the result of an oversight. All purchases involving the incurrence of debt will be submitted to the Council for approval.

2009-5

Criteria	Monies in the Debt Service Fund and Street Overlay Fund are to be held in escrow to be used solely to pay principal and interest on the bonds.
Condition	In prior periods, the General Fund improperly borrowed \$660,000 from the Debt Service Fund and \$151,030 from the Street Overlay Fund.
Effect	Violation of Loan agreements and State law.
Recommendation	These loans should be repaid.
Management's Response	This condition is a result of borrowings made in previous years when the City was in an emergency situation after Hurricane Katrina. Unfortunately, the financial condition of the general fund has not yet recovered to the point that will allow repayment of those funds. As cash comes available, the borrowing from the debt service funds will be repaid. It should be noted that a loan payable is recorded on the general funds books thereby evidencing management's intent to repay the loans to those respective funds. Additionally, no payments on the debt being serviced through these dedicated funds have been missed. All debt is current.

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

2009-6

Criteria	The accounting system records information upon which responsible fiscal management is based and should be documented by written policies and procedures.
Condition	The City's finance department's written policies and procedures manual has not been finalized.
Effect	Written documentation would provide guidelines for a uniform system of internal controls.
Recommendation	The City should finalize a written policies and procedures manual as soon as possible.
Management's Response	The Finance department will finalize and update its policies and procedures manual to reflect current and acceptable policies and procedures.

2009-7

Criteria	Article V Section 5-09 of the City Charter requires that the "purchasing of all property, supplies, materials and services shall be under a central purchasing system and shall be in accordance with applicable state law, and council policy and administrative requirements as set forth by ordinance".
Condition	The central purchasing system currently mandated by the City Charter hinders compliant, efficient, and effective procurement of goods used in the daily operations of the City.
Effect	Violation City Charter.
Recommendation	The City should consider amending current regulatory requirements to enable a more efficient and effective procurement system for daily City administration.
Management's Response	The Administration will establish a threshold for purchases requiring a purchase order. Amendments to the city charter will be considered if necessary.

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

2009-8

Criteria	Annual financial reports of local governments are required by Louisiana law (R.S. 24:513) and Federal program award requirements to be completed within six months after the year end.
Condition	The City's audit was not completed by June 30, 2010.
Effect	Violation of State law.
Recommendation	The City should develop policies and procedures to ensure that all necessary information is provided in a timely manner so that reporting requirements are met.
Management's Response	Due to the complexity of the City's financial statements, many outside parties and forces must come together in order to prepare a financial statement in accordance with generally accepted accounting principles. We will more closely monitor the outside parties to ensure that the financial statements and the audit thereof can be completed within the required time frame.

Section III – Federal Award Findings and Questioned Costs

United States Department of Transportation
Passed through Louisiana Department of Transportation and Development
Airport Improvement Program CFDA 20.106

2009-9 – Runway 18 Safety Area Improvement Part III (2008)- Questioned Costs

Criteria	OMB Circular 133-A, Part 3-C - Compliance Requirements on Cash Management provides that expenditures for program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.
Condition	Program cost reimbursement requests were submitted prior to payment of expenditures by the City.
Effect	Violation of grant agreement and OMB Circular 133-A Compliance Requirements on Cash Management.
Findings	Three reimbursement requests were tested including 7 expenditures of which all 7, totaling \$366,808, were deemed questioned costs for payments made subsequent to the reimbursement request date.
Recommendation	The City should secure funding and complete payment of expenditures prior to submission of reimbursement requests in order to meet compliance requirement.

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

2009-9 (continued)

**Management's
Response**

The regulations for grants management, including those regarding cash draw-downs, are aimed at minimizing the time that cash is held by grant recipients. While the program costs that were requested for reimbursement may not have been disbursed at the time they were requested, they had been incurred and billed by the vendor. Upon receipt of the cash requested from the grantor, the vendor invoices were immediately paid, resulting in compliance with the spirit of the regulation, if not the letter of the regulation.

2009-10 – Runway 18 Safety Area Improvement Part IV (2009)- Questioned Costs

Criteria	OMB Circular 133-A, Part 3-C - Compliance Requirements on Cash Management provides that expenditures for program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.
Condition	Program cost reimbursement requests were submitted prior to payment of expenditures by the City.
Effect	Violation of grant agreement and OMB Circular 133-A Compliance Requirements on Cash Management.
Findings	Four reimbursement requests were tested including 13 expenditures of which 11, totaling \$1,616,781, were deemed questioned costs for payments made subsequent to the reimbursement request date.
Recommendation	The City should secure funding and complete payment of expenditures prior to submission of reimbursement requests in order to meet compliance requirement.
Management's Response	The regulations for grants management, including those regarding cash draw-downs, are aimed at minimizing the time that cash is held by grant recipients. While the program costs that were requested for reimbursement may not have been disbursed at the time they were requested, they had been incurred and billed by the vendor. Upon receipt of the cash requested from the grantor, the vendor invoices were immediately paid, resulting in compliance with the spirit of the regulation, if not the letter of the regulation.

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended
December 31, 2009

Section I – Internal Control and Compliance Material to Financial Statements

Ref. No.- 2008-1 and 2008-2

Fiscal year finding initially occurred - 2007

Description of findings – Budget Amendment

Corrective action taken (yes, no, partially) – No. See finding 2009-1.

Ref. No.- 2008-3

Fiscal year finding initially occurred - 2008

Description of findings – Improper Loans to General Fund

Corrective action taken (yes, no, partially) – No. See finding 2009-5.

Ref. No.- 2008-4

Fiscal year finding initially occurred - 2008

Description of findings – Purchase Order Policy

Corrective action taken (yes, no, partially) – No. See finding 2009-7

Ref. No.- 2008-5

Fiscal year finding initially occurred - 2008

Description of findings – Central Purchasing System

Corrective action taken (yes, no, partially) – No. See finding 2009-7

Ref. No.- 2008-6

Fiscal year finding initially occurred - 2008

Description of findings – Retirement System Taxes

Corrective action taken (yes, no, partially) – Yes.

Ref. No.- 2008-7

Fiscal year finding initially occurred - 2008

Description of findings – Policies and Procedures Manual

Corrective action taken (yes, no, partially) – No. See finding 2009-6.

(Continued)

See accompanying auditor's report

City of Bogalusa, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended
December 31, 2009

Ref. No.- 2008-8

Fiscal year finding initially occurred - 2008

Description of findings – Audit Report Late

Corrective action taken (yes, no, partially) - No. See finding 2009-8.

Ref. No.- 2008-9

Fiscal year finding initially occurred - 2008

Description of findings – Compliance Questionnaire Late

Corrective action taken (yes, no, partially) – Yes.

Ref. No.- 2008-10

Fiscal year finding initially occurred - 2001

Description of findings – Retirement System Funding

Corrective action taken (yes, no, partially) - No. See finding 2009-3.

Ref. No.- 2008-11

Fiscal year finding initially occurred - 2008

Description of findings – Federal Award Questioned Costs

Corrective action taken (yes, no, partially) - No. See finding 2009-9 and 2009-10.